SEVENTH YEAR AND GROWING STEADILY

The MAGAZINE of WALL STREET

SCIENTIFIC INVESTMENT FOR EVERYBODY

Vol. Thirteen MARCH, 1914 No. Five

Trust Legislation and Business Prospects

By H. Parker Willis

The Popularity of Small Bonds

By Frederick Lownhaupt

Tendencies in the World's Gold Movements

By John E. Gardin

1914 Stock Prospects

By H. M. P. Eckardt

Other Special Articles:——Practical Pointers for Active Trading——Stocks Affected by Agricultural Section of Currency Law——Self Propagating Stocks——Review of Cotton Situation——Practical Talks to Investors——The Influence of Foreign Trade on Business Conditions.

All Regular Departments—Current Financial Opinion—Iron and Steel—Bond Department—Bargain Indicator on Stocks—Investment Digest—Traders' Department—The Forum—Essential Statistics—Situation Summarized—Market Outlook—Etc.

THE MAGAZINE OF WALL STREET

(FORMERLY THE TICKER AND INVESTMENT DIGEST)

SCIENTIFIC INVESTMENT FOR EVERYBODY.

Vol. Thirteen | MARCH, 1914 | No. Five

Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

A Lively Transition In the Money Market.

THE sudden drop in the rate of interest in all commercial nations early this year constituted one of the most complete reversals seen for at least half a dozen years. During January and early in February money piled up in the New York banks with a rapidity rarely witnessed. The banks snapped up all offerings of commercial paper with avidity, bringing the rate down nearly to four per cent.—a figure at which most of the banks outside this center find it most profitable to drop out of the market. Two leading banks comment on this situation as follows:

Fourth National Bank, New York: The world-wide lowering of interest rates within the last two weeks has been one of the most striking money market developments of recent years. It testifies not only to the exceptionally strong banking position in many of the European capitals where a year ago real tension existed, but it shows, also, that the strain upon credit is much less acute than it was and that there is no longer uneasiness over the possibility of serious political complications abroad which, only a few months ago, was an important factor in unsettling the minds of investors on the other side. The rather extraordinary demand for high-grade investment securities at New York and London, especially, also reflects definite restoration of confidence.

National City Bank, Chicago: The indications are that money rates will rule fairly easy, but there is not likelv to be a great plethora of money for the reason that the financing of the next three months will be extremely heavy. Besides this, Paris is likely to take a good deal of gold out of the United States during the next ten weeks. There is apparent basis for the European estimate that this withdrawal may aggregate $20,000,000. The French market is in sore need of the gold because of the serious complications growing out of the hoarding mania of last year, the burdens incident to the financing of the coming French government loan, the new Balkan securities and the requirements of banks and syndicates which were more or less weakened by the inability to float securities that had been previously underwritten. It is altogether proper that we should let Europe have this gold, as it will benefit the whole European investment situation.

* * *

Frank A. Vanderlip Is Noncommittal.

EASY money breeds confidence and eventually brings a revival of business, but the vital question of the moment is "When?" With normal crops and with freedom from political disturbances, such a revival is generally rather prompt. It is an open secret, however, that some of our leading bankers now have doubts as to whether an immediate recovery can be expected. Not wishing to be accused of being

"knockers," they are keeping these doubts to themselves, aside from conversations of a more or less personal nature.

For example, one can read between the lines a studied reticence in Mr. Vanderlip's remarks on his return from Europe:

Mr. Vanderlip said the feeling in England toward American securities was very kindly, while in France it was growing better. He added that money in Europe was very plentiful and cheap. He attributed that to a slowing down in business, although he did not want that remark to be interpreted to mean there was any great falling off in trade.

E. Mackay Edgar, of Sperling & Co., London, says that a great deal of British money is now coming to this country:

International business in securities is on a very satisfactory basis. Money, I believe, is going to be very cheap and plentiful for a long time to come. Many old financial transactions are being readjusted on better terms. As soon as those have been taken care of there will be a vast amount of money for investment.

* * *

Heavy Borrowing—What Is It For?

IT was estimated that commercial paper brokers in New York handled over $125,000,000 of mercantile bills during January, while at least $40,000,000 more was bought by Chicago banks. In fact, January was the most active month in American history in sales of commercial paper, in spite of the comparative dullness of general business in most sections of the country. The natural question arises, "Why are business men such heavy borrowers at this time?" Says the New York *Times:*

LOOSENING!
Los Angeles *Times.*

A half dozen prominent paper brokers of the financial district said that reports from trade circles in the Middle and Far West showed that a far better feeling existed among business men than was evident before the currency law was enacted, but that this feeling had so far obtained little expression in actual preparations for a big year in 1914.

"There is a great deal of atmosphere," said one bill broker, "but not much activity."

The leading purpose of January's sale of commercial notes was believed to be the liquidation of bank loans. Manufacturers and merchants borrowed on commercial bills in order to pay off loans which were made last summer with their banks at rather stiff rates of interest. At the beginning of the year a prominent paper broker estimated that interior banks were carrying more temporary notes for customers than at any time since the panic of 1907. This statement was somewhat startling. The broker qualified his views by adding that the greater part of this sort of borrowing would be liquidated shortly by payment from the proceeds of bill sales, and later he stated that the prophecy had come true.

The fact that so much money is available at low rates is encouraging, but it would be still more encouraging if we could believe that these borrowings are for purposes of expansion, instead of for the liquidation of previous loans by new ones at a lower rate of interest.

* * *

Sir George Paish Looks into the Future.

THE bond market has responded readily and naturally to easy money. The stock market also has shown a wonderful improvement in tone since the new year. Questions that now begin to interest students of the market are whether the extensive new financing that is known to be awaiting a favorable opportunity will check this upward tendency in prices; and if the movement continues, whether bonds and stocks will move onward together, or bond prices maintain their advance while stocks re-

ENVY.
Chicago *Tribune*.

act, or the strongest stocks go with the bonds while weaker issues decline. Here are three well-considered views:

London Statist: The prospect is for plentiful and cheap money, tending to become cheaper as the year goes on; assured peace, at all events, in 1914; slackening trade, very generally, with counteracting influences at home, in the United States, and in France and Germany. All these, assuming that there are no unforeseen and untoward events, must lead to a broadening of the markets on all Bourses and Stock Exchanges, and to a general advance in quotations. At first the public will, we may reasonably assume, look principally to thoroughly sound securities. After a time prices of these will rise so far that those who are willing to face some small risk will look about for better interest, even though the security may not be quite so unquestionable. Then we shall see a large investment in what may be called high-class securities of the second rank. After that stocks even less well secured will come into favor.

James H. Brookmire: Considering the rapidity of the recent advance, and the fact also that it is a normal seasonal tendency for money rates to stiffen somewhat during the latter half of March in anticipation of the April 1st settlements and preparations to send funds to the agricultural sections for Spring planting, we believe the market will show a sagging and reactionary tendency before the end of the first quarter. Fundamental conditions, however, argue for higher prices for the long pull and we advise investors who purchased seasoned dividend paying shares at bottom prices last Fall to hold on through the seasonal reactionary period immediately ahead of us.

Wall Street Journal: Those interests with plenty more still to sell intimated, as publicly as possible, that they were not impressed by the selling. In balancing opinions on the stock market, it is as well to remember that "good selling" or "good buying" are most noticeable when most deceptive. In actual practice, the skilled manipulators of the market, when really distributing or accumulating, take care that their real operations shall be as unobtrusive as possible. Their buying never looks so good as at the top of the market; and the selling at the bottom is positively gilt-edged.

The general feeling of confidence, the hope of an improvement in business, and the reality of easy money, with almost automatically advancing bond prices, have helped the market. There is a better market for bonds than for stocks, and the real investment money is going in that direction.

* * *

What Some Keen Observers Think of Business Prospects.

THERE are the usual differences of opinion in regard to the future of business, arising in great measure from variations in the length of time which different people try to look ahead. Some are considering immediate prospects, others conditions six months ahead, while still others are extending their prognostications over a period of several years. It is cheerful to read the views of these two rosy optimists:

Geo. M. Reynolds, Chicago: In my opinion the country is just about to emerge into a true era of prosperity. The tariff and currency bills are infinitely better than I had hoped they would be. They mean goodbye to financial stringencies and upheavals.

E. J. Cattell, City Statistician of Philadelphia: This country now faces the greatest era of prosperity ever known in any country in any age. We are going to harness the rivers, from which heretofore we have derived little benefit, and develop many other resources which are now unused. I have lived through many panics, but the day is coming when panics will be unknown.

* * *

The Optimist Sees the Doughnut—The Pessimist Sees the Hole.

OTHERS speak in terms of more moderation, while a few cannot yet banish their gloomy forebodings. The comments of the *Investor's Chronicle*, London, probably came from a New York correspondent, but doubtless they represent the opinions of a class of English investors:

Investor's Chronicle: In the United

States conditions will be much disturbed for at least six months, while industries are being adjusted to the new tariff duties, to new banking and currency legislation and to the new anti-trust policy. The railroads will suffer much from new federal and state regulations and requirements and net earnings will decline severely for the next six months. Rates will be increased but slightly, if at all, until physical valuation has determined the approximate capital on which interest and dividends should be paid.

James A. Patten, Chicago: There are many lines of business which will be seriously affected by tariff changes. Easy money will not help them, and there will be a great many men out of work, I fear. There is no question, however, but that money will get easier throughout the country.

National Bank of Commerce, Detroit: The general business situation is being made more safe by the elimination of weak concerns and it is anticipated that within a short time bed rock will be reached and business will be on a firm and safe foundation.

Disagreeable facts were exaggerated last month and agreeable facts are being exaggerated now. The actual change in conditions is not nearly as great as the change in sentiment.

People's Bank, Pittsburgh: At this time a year ago a buying movement by the railroads made its appearance, and business generally in this district was stimulated by activity in the steel trade. The momentum then acquired gained force later on and was sufficient to carry the industry and others dependent thereon over the period of tariff discussion and crop uncertainties. No special stimulus has occurred this year so far; on the contrary, orders have been strictly of a hand-to-mouth character.

* * *

New Theories About the "Liquidation of Labor."

AT intervals during the last five years financial writers have been trying to "liquidate labor," but without any noticeable success. Now, with 325,000 men out of work in New York City alone, it seems as though it might be done, if ever. Yet we do not hear of wage reductions. The persistence with which wages stick to their high level is enough to make members of the old school of supply-and-demand economists turn in their graves.

Some writers are asserting that we are now in an era of "new times and new manners," that wages are now recognized as a social question, and that we shall not in this instance see the customary cutting down of wages as a preliminary to renewed prosperity. Others assert that labor is actually being liquidated, but in a new way. Thus the Boston *Commercial:*

For more than a year past the liquidation of both business and securities has been under way. Stocks of merchandise and manufactured commodities have been greatly reduced and speculative holdings of securities have been distributed.

Now the liquidation of labor is under way. This is not coming about in the form of wage reductions; but through lack of employment on the one hand and increased efficiency on the other.

There is now a surplus of labor in every industrial center in the country. Inefficient men are being replaced by those of greater ability and all the men employed are doing their best in an effort to hold their jobs.

The result of this will be to re-establish the old-time high standard of efficiency in all lines of industry. A given unit of work will cost less, even though wages are not reduced, and the working people in general who were unusually restless six months ago will come to have a new sense of appreciation for steady employment.

It is noticeable that wages have, at least, stopped advancing. For example, Western Electric's 12,000 workmen recently refused to strike and adopted a resolution declaring: "Never in the company's history has there been such a unan-

A MEXICAN CHRISTMAS TREE.
Brooklyn *Eagle*.

imous spirit against revolt." The *Iron Age* summarizes the situation:

The new attitude of employers toward labor is noteworthy. Prior to 1907 the development of a depression in trade was speedily followed bv reduction in wages. Nearly every employer up to that time had been educated to believe that when the demand for his product shrank heavily it was necessary to reduce the cost of labor for the purpose of enabling him to continue the struggle for business. Of course, labor was reduced in all competing establishments, and the net result, so far as gaining an advantage, was nugatory. In the past six years, however, conditions have been radically different. Whether the change had its inception in politics or not is immaterial, but the fact is apparent that since 1907 wage rates in this country have only varied with improvements in trade. When business has grown larger, wages have advanced, but they have not receded with diminishing business. Employers are meeting the present depression by operating their factories on shorter time and are trying to keep as great a part of their force engaged as possible, rather than either discharging large numbers of men or reducing wages. Possibly the liquidation in labor that has been so long predicted by economists, and which has so far failed to materialize, may come about through the efforts of the unemployed to secure work. It has been known to happen in past times of extreme depression that the unemployed have offered their services at much less than regular rates. A lowering of wages has developed in that way through the men themselves and not by aggressive action by employers.

Our Currency Act a World-Wide Influence

Will America Export $400,000,000 Gold?

MORETON FREWEN, the English economist, says it will, as a result of the new Currency Act. Less gold will be needed for bank reserves, and the new currency to be issued by the Federal Reserve banks will take the place of gold. Consequently we shall find ourselves with more gold than we need to use in our business and it will flow outward to countries which have no such redundancy. This is what he said to a correspondent of the *Sun:*

At the close of 1913 the city opinion here anticipated a bank rate on discounts of six per cent. It has fallen in a fortnight from five to three per cent. Why? Why have consols jumped five points? The answer is the new American currency act. Here is Uncle Sam with the power of a hundred Morgans entering the bill discounting business and prepared to do the world's business. Therefore, every banker knows that stringency and contraction have disappeared and that a new day has dawned.

If the shipment of large sums of gold during the year creates alarm, then Americans might forfeit their share in the feast of fat things at hand. Make up your minds to lose perhaps $300,000,000 or $400,000,000 of gold in the next two years and that the export of this precious metal will greatly strengthen your export trade.

If you accept the bill in that spirit great good will result. New issues of paper and great expansion of bank credits will advance your prices. Your steel, cotton, wool and leather industries will boom. It will be an antidote to the new tariff and will greatly confuse the two economic problems, but you may be quite sure that you will lose much gold.

The passage of the American currency act was a greater discovery than half a dozen new African gold fields. Four or five years hence we may all have to walk warily. Meantime let us thank Washington for the Santa Claus visit to millions of anxious bedsides.

* * *

How Soon Will the Effect Be Felt?

IT is safe to say that the best banking opinion in America does not fully agree with the above statement of the prospect before us. Moderate and gradual exports of gold are to be anticipated; but it will take the new system some little time to get into full operation, our own trade requirements will absorb a part of the additional gold rendered available, and the Federal Reserve Board can control our discount rate within reasonable limits so as to place some check on gold exports if thought desirable. In regard to the time required to start the new system the *Journal of Commerce* says:

It would be quick work if all the details were completed and the banks became active institutions by May 1. Only when the Secretary of the Treasury announces that the

banks have been organized will the change in reserve requirements become operative and it may be further admitted that only when the banks show that they are really in shape to meet all requirements will the more prudent men in the profession permit themselves to let reserves down to the level indicated in the act as permissible. This signifies that, try as hard as it may, the organization committee will not be able to hurry things very greatly.

There is another factor that will tend to lengthen, it is believed, the time which must be allowed for the new institutions to become active. This is the matter of paying capital. Under the act as passed the capital is but slowly paid in, so that some time will be required for gatherng the actual funds at the start.

Even when the banks are fully capitalized and started the results of their operation will not be felt to the extent that will later be possible. The act provides for a three-year period during which the reserves may in part be kept with correspondent banks as at present and during which therefore the reserves of the individual banks will be maintained in that way if the banks themselves prefer. This they will be likely to do unless the working of the new banks is so smooth and free of red tape as to give the member banks exactly the same convenience and accommodation that they now enjoy in their relations with correspondent banks. For three years therefore it may be expected that the forces of inertia, of influence of member banks which want to keep the deposits of former country correspondents and of hesitation to create the new business methods and forms of paper provided for in the act will operate against a prompt removal of the reserve balances. Throughout this period the operations of the reserve banks will be restricted.

DETAINED BY THE INCOME TAX.
N. Y. *Times.*

* * *

Possibility that Law May Be Amended.

IN the meantime, things might be hastened by amendments permitting State banks and trust companies to come into the Federal Reserve system more easily than as the law now stands. Undoubtedly any amendments would be in the direction of hastening the expansion of credit contemplated by the law, in spite of the fact that the ultimate danger, if any, is to be found exactly in this rapid expansion. The National City Bank, New York, comments:

There is some discussion in Washington concerning the advisability of amending the new Federal Reserve Act so as to make its provisions more attractive to State Banks and Trust Companies. If it should be decided to amend the law, it will probably be in the direction of permitting these institutions to come into the Federal Reserve system without requiring them to conform to the capitalization requirements of the National Bank Act. There is some dissatisfaction also on the part of State Banks and Trust Companies in Reserve and Central Reserve cities because as the law now stands reserves of member banks may in part for a period of thirty-six months after the Secretary of the Treasury has officially announced the establishment of a Federal Reserve Bank be kept in National Banks, there being no provision whereby reserves of National Banks throughout the country may be kept in State Banks and Trust Companies in Reserve and Central Reserve cities. State Banks and Trust Companies have indicated that they would be at some disadvantage because of the fact that National Banks could keep a portion of their reserve in other National Banks but not in State Institutions in those cities.

* * *

Will the Law Succeed in Penalizing New York City?

THE spirit of antagonism toward New York City banks is quite general throughout the country, if we may judge from the newspapers—though it is very much doubted if this feeling is shared by any considerable number of country bankers. The law was certainly intended to prevent the congestion of funds in

New York and to reduce the profits in so-called "speculative banking." But whether this result has actually been accomplished is open to doubt. The *U. S. Investor,* for example, points out some considerations on the other side of the ledger:

The first conclusion of a great many people has been that the New York national banks are to lose heavily in deposits. There is a disposition among bankers to be a great deal less disturbed over this possibility than some had expected. There is an impression that the profits from their business will be more considerable, under the new law, than they have been under the old.

It is no mean advantage that the New York banks have obtained from being made subject to less drastic reserve requirements than have prevailed under the National Bank Act. The power to lend eighty-two per cent. of their resources, instead of only seventy-five per cent., releases several million dollars at each of a number of New York banks. This heretofore idle money can now be loaned to yield five per cent. a year, or better. They will save money, too, through the right to collect at par, through the regional banks, many checks that now involve expense in collection.

There will also be economy for them in the smaller volume of checks they will have in transit. Instead of having millions of dollars in process of collection, and therefore unavailable, they will be able to carry some of this aggregate over to the regional bank, deposit it there, and get immediate credit.

The Bill for the Control of Stock Exchanges

The Owen Bill Is a Curious Mixture.

THERE are a number of good points in the Owen Bill "to prevent the use of the mails and of the telegraph and telephone in furtherance of fraudulent and harmful transactions on the stock exchanges." Corporations must furnish to the stock exchange satisfactory financial statements; must file copies of all agreements in regard to the creation, introduction and sale of securities; must publish financial statements at regular intervals. Securities shall not be stricken off the list without due notice; shall not be manipulated by "matched orders" or "wash sales"; shall not be handled by brokers for customers on less than 20 per cent. margin.

All the above requirements are already met, except the last, and that is not unreasonable. It would, doubtless, be a good idea to have these points definitely covered by law. But there are other provisions in the bill that are crude in the extreme. W. C. Van Antwerp calls attention to one of these:

Subdivision A requires a statement, verified by the oath of an officer of a corporation applying to have its securities listed, setting forth separately and in detail the entire amount and value of the tangible and other assets and its contingent liabilities. There is scarcely any corporation that could comply with this requirement. Several years must elapse and many millions of dollars must be spent before the Interstate Commerce Commission can determine the tangible value of the railroad

JUST AT PRESENT.
A seat on the Stock Exchange.—*Life.*

properties of this country. How can a railroad officer make oath to such values?

The adoption by the New York Stock Exchange of the regulations specified in the Owen bill would result at once in the withdrawal from the list of substantially all the thirteen billion dollars of stocks and thirteen billion dollars of bonds now listed there. The number of the securities remaining on the list, or hereafter to be listed under these provisions, would be so small that the Stock Exchange would cease to be a market of importance. The motive for listing on the part of corporations would no longer exist.

* * *

To Incorporate, or Not to Incorporate.

ONE of the main purposes of the bill is to compel the exchanges to incorporate under the laws of the States in which they are situated, so that they may be more definitely under legal control. The New York Exchange opposes such incorporation. Mr. Van Antwerp explains the reasons for this attitude:

We are not in opposition, we are here to assist in any such good work, and especially we want to put an end to all forms of manipulation on the Stock Exchange.

The disciplinary power of the exchange over its members is its most vital function. We maintain a standard repeated again and again in our constitution in the words "just and equitable principles of trade." It is a standard higher than that imposed by the law of the land, and one that only by reason of our unincorporated organization we are enabled to enforce. We are not bound by the ordinary rules of courts of law in this discipline, and if a member is found guilty and expelled or suspended, the penalty becomes operative immediately.

A judicial review would inevitably sap this disciplinary power of its vitality. Every case would be taken into court, and injunctions and stays of proceedings would stop the execution of the determination of the governing committee until the last court of review was through with the case. That would take two or three years, and in the meantime the member, even though we knew him to be a crook, would continue his activities on the Exchange.

* * *

Postmaster General in the Role of Arbitrary Despot.

THE method by which the Federal Government is to get jurisdiction over the exchanges is that first championed by the doughty Boston plunger, Thomas W. Lawson, well remembered by thousands of "investors" in Bay State Gas and other footballs of the Curb. The

WE ARE EXPECTING THIS ANY DAY.

"Mr. Jingledough, our directors have decided to sell a limited amount of stock in our Eureka radium mines to a select few of our leading citizens. Your name was among the first mentioned and knowing you to be the most conservative and judicious investor in town I came to you before mentioning the matter to anyone else.

"Now, Mr. Jingledough, you are probably familiar with the market price of radium—this precious carnotite ore has in a very short period leaped from $90,000 a gram to $100,000. The only reason we are parting with this little block of stock is to raise capital to complete the purchase of mining machinery and a laboratory," etc., etc., etc.—Cincinnati *Times-Star.*

degree of arbitrary power which this bill would confer on the Postmaster General is really startling. It provides that the members of any exchange shall be denied the use of the mails, telegraph or telephone, and that newspapers cannot print the transactions on such exchange, unless it is incorporated, or unless the charter and by-laws of such exchange or the law under which it is organized shall contain regulations and prohibitions satisfactory to the Postmaster General safeguarding the transactions of such exchange, the character of the securities dealt in thereon, the genuineness of the quotations thereof, and all other information, etc. And to enforce these provisions there is a clause to the effect that brokers' books shall be open to the Postmaster General! The result of the bill

would be that the Postmaster General would practically become an arbitrary despot over the exchanges, and from his decision there would be no appeal—an absurd and dangerous state of affairs which it cannot be believed that Congress will authorize. The new bill is too much even for the New York *World*, a consistent enemy of the Stock Exchange:

If Congress can regulate the Stock Exchange through the postal law, it can regulate every business, trade, profession or occupation that is in any way dependent upon the use of the mails. It can censor newspapers, books and magazines. It can deny the use of the mails to every department store that does not sell its goods on a scale of prices fixed by congressional decree, and it can shut the parcel post to every farmer who does not till his land in accordance with the edicts of the agricultural department.

There are cures that are more dangerous than the disease, and a New Tyranny should not be the answer to the New Freedom.

* * *

The Short-Selling Bugaboo Again.

THE bill further prohibits the lending of securities in which customers have marginal equities, and the hypothecating of securities for more than the customer owes on them. The latter provision is unimportant so far as customers are concerned but would cause brokers a good deal of unnecessary expense and annoyance. The prohibition of lending customers' stocks is intended to stop short selling, but it cannot for a moment be supposed that it would have that result. Every product, every form of property and every evidence of ownership in the world is sold short every day in the year by somebody—that is, sold for future delivery—and will continue to be. The most the bill could do would be to cause a lot of trouble and compel a change of methods of short selling.

Here are three well-considered views of the bill:

The Independent: The bill is ill considered for several reasons. The issue of securities by corporations should be controlled directly, as is done in Great Britain under the British Companies Act, and not indirectly through the Stock Exchange.

It is no part of the proper function of the Postmaster General to control corporations or to regulate the Stock Exchange as this bill would require him to do.

The bill would prevent short selling, a process indispensable to the existence of a broad, free market for the purchase and sale of corporate securities.

The bill would deny to members of such a market place as the New York Stock Exchange, which has the most stringent rules and the most complete supervision of the acts of its members, privileges which an unsupervised outside broker would be freely accorded.

The Annalist: It would put the Stock Exchange broker to a greater disadvantage than now in competition with speculating institutions, which could do with impunity many things the individual could not. And it would not stop the kind of manipulation most complained of, namely, that which by making much activity and many quotations attracts public attention. A few men, not members of any exchange, owning a great many shares among them, could buy and sell on a very large scale, without making any short sales, and at the same time observe all the conditions imposed upon brokers by the Owen bill. A "Money Trust," if it existed, might be greatly obliged to Mr. Owen for passing such a bill.

Chas. A. Conant: The necessity for the preservation of the privilege of "short selling," Mr. Conant insisted, was important and imperative. He characterized it as "a vital function of financial economics. Speculation is undoubtedly right and necessary. It is only erratic, baseless and insufficiently considered speculation that is evil."

Proper corrective legislation should be applied in another direction, he said—

CAUGHT IN THE UPLIFT.
N. Y. *Herald.*

namely, at the corporations themselves and not at the brokers.

"The New York Stock Exchange," he said, "should not be made the whip with which to drive the corporations to an honest expression of the value of their tangible and intangible assets and of their current or contingent liabilities."

* * *

Can We Get Along Without Speculation?

POULTRYMEN say that the only way you can absolutely get rid of "red mites" in your chicken house is to burn it down. But most people consider the remedy worse than the disease. The trouble with Pujo, Owen, Untermyer, *et al.*, is that they have permitted themselves to exaggerate the evils connected with Stock Exchange business until they can scarcely see the legitimate and highly valuable services of that institution. They want to burn down the house.

The *Wall Street Journal* speaks some words of wisdom in regard to the function of speculation:

If there is anything useful in a balance wheel in mechanics, the speculative element serves that purpose in the machinery of finance and trade. The manufacturer is running his plants at 100 per cent. capacity. Orders are coming in in excess of his ability to execute them. He is highly optimistic. Interviews follow one another thick and fast. "There are no clouds on the financial or industrial horizon." Every one is urged to buy securities, because earnings are at record levels.

But the speculator stops to consider. "Business," he says, "is booming. At this rate we must soon have overproduction. This pace cannot last much longer. I guess it is time to protect myself with short sales." He does, and events prove, at the worst, that his judgment was only premature.

Then there comes a time when industries are running below 50 per cent. of capacity. Schwab, Topping and others are down in the mouth. Interviews again follow thick and fast. "Business has stagnated. There is no hope in sight. Sell your securities. Financial ruin stares us in the face."

But the speculator again stops to consider. "Things are bad. In fact, they cannot get much worse. This country must do a normal amount of business. The law of averages is inviolable. There must be so much production and so much consumption. This country cannot stop growing. Things may possibly get a little worse. But they are bound, sooner or later, to get considerably better. I guess it is time to buy." He does, and his judgment is sooner or later vindicated.

* * *

Government Deposits Diverted from New York.

AT least this hydra-headed—perhaps some would prefer to say hydro-headed—monster of speculation is not now being nourished by deposits of Government money. Few appreciate the extent to which Government deposits have been diverted from New York in recent years.

Prof. Patterson, of the University of Pennsylvania, in the *Journal of Political Economy,* presents the following table illustrating the extent of the change:

Relative Amounts of United States Deposits Held by New York National Banks and by All Other National Banks of the United States:

Year.	Percentage. New York Banks.	Percentage. All Other Banks.	Year.	Percentage. New York Banks.	Percentage. All Other Banks.
1899....	42	58	1906....	10	90
	42	58		11	89
	34	66	1907....	11	89
	36	64		10	90
	36	64		18	82
1900....	38	62		19	81
	38	62		34	66
	37	63	1908....	28	72
	37	63		19	81
	36	64		7	93
1901....	36	64		9	91
	36	64		7	93
	35	65	1909....	4	96
	35	65		6	94
	34	66		5	95
1902....	34	66		7	93
	34	66		7	93
	33	67	1910....	6	94
	33	67		6	94
	30	70		8	92
1903....	29	71		6	94
	27	73		6	94
	27	73	1911....	6	94
	27	73		5	95
	25	75		4	96
1904....	24	76		4	96
	38	62		4	96
	22	78	1912....	4	96
	22	78		3	97
	22	78		3	97
1905....	22	78		3	97
	21	79		4	96
	18	82	1913....	5	95
	15	85		7	93
	16	84		6	94
1906....	15	85		5	95
	18	82		3	97
	18	82			

The Administration's Anti-Trust Program

Pres. Wilson Pats the Octopus on the Head.

IN his special message to Congress on the subject of "Business Legislation" President Wilson made an elaborate and studied effort to avoid alarming business men, and met with a considerable degree of success in that effort. *Current Opinion* expresses the feeling, apparently, of a majority of the country's press:

At last, after many years of conflict with the trusts—lawsuits, investigations, muckraking, stormy campaigns, lurid agitation, angry legislation—the nation suddenly finds itself, much to its surprise, entering into a new and almost incredible state of feeling. There is, in our financial and industrial atmosphere, for the first time in a decade, something suave and bland, like the first hints that come to us of spring when the ice and snow are still visible on all sides. President Wilson has spoken to the long-hunted octopus, patted it gently on its abhorrent head, and lo! it begins, of its own volition, to uncoil one tentacle after another from the bodies of its victims. Ah, the power of a kind word, even upon such a goggle-eyed monster as an octopus—especially when it has been driven into a corner!

* * *

And Then Plants Dynamite Underneath Its Lair.

BUT however mild and tactful the words in which it is expressed, the actual program is far more vigorous than that of preceding administrations. The "Five Brothers," as the bills have been nicknamed, are as follows:

(1) A bill creating the Interstate Trade Commission.

(2) A bill to regulate directorates of corporations and to prohibit interlocking directorates.

(3) A bill defining unlawful monopoly or restraints of trade.

(4) The trade relations bill, which among other things, forbids unfair trade practices, such as underselling in one locality to stifle competition and recouping the losses thus sustained by raising prices in localities where there is no competition.

(5) A bill prohibiting holding companies.

If all these bills are passed—as they apparently will be—we shall find ourselves living in a new world, so far as the conduct of corporation business is concerned. The *Iron Age* comments on the proposed legislation:

It will be seen that while the President indulged in mild language, with admirable freedom from denunciation, he and his advisers have no intention of receding from the position taken by national authorities in recent years against the pursuit of large business interests. These interests will be under even closer surveillance than heretofore, as the Interstate Trade Commission will have the power of examining the books, papers or documents of corporations doing an interstate business, including records of any of their executive or other committees, as the bill reads, and "the information so obtained shall be public records." It would seem that if the bill should pass giving such extraordinary powers to the commission the methods of doing business will be given such publicity as to hamper greatly the conduct of certain kinds of business.

JEFFERSON IS DISTURBED.

Twentieth Century Mrs. Gracchus: "These are my jewels."—Philadelphia *Ledger*.

Ex-Attorney General Wickersham Predicts Confusion Worse Confounded.

THE purpose of the third bill mentioned above is to define and explain the Sherman Law, so that business men may the more easily understand just what they have to do to keep within its limits. This is assuredly a laudable purpose, but not easy of accomplishment. Ex-Attorney General Wickersham, a very shrewd lawyer, says in an interview in the *Sun:*

After the first pleasant impression produced by the literary excellence of President Wilson's message to Congress on the subject of "Business Legislation" evaporates the inquiry arises in one's mind whether, after all, the message carries a reliable quality of "sweet reasonableness" or if its sweetness is not rather that of a species of intellectual chloroform calculated to lull the critical faculties into more or less insensibility to the really radical and far-reaching suggestions embodied in the somewhat nebulous and agreeable language of the message.

One of the greatest American judges is authority for the statement that it would be difficult, if not impossible, to lay down any general rule or definition which would comprehend all cases coming within the range of the legal import of the word "fraud." The same reason applies with equal force to restraint of trade and attempt at monopoly. The acts by which these prohibited results are reached are infinite in variety—sometimes in themselves innocent, sometimes malignant—and any attempt at exact definition must fail from the nature of the case.

The suggestion that the various practices by which hurtful restraints of trade and monopoly of commerce are sought to be accomplished can be "explicitly and item by item forbidden by statute in such terms as will practically eliminate uncertainty," is but a delusion and can only lead to introducing into the law, now reasonably clear and certain, elements of uncertainty which will compel a new process of judicial interpretation and lead to a new era of worse uncertainty than anything which went before it.

* * *

Will Business Be Ensnared In a Tangled Skein of Law?

AS a rule, our legislators are in far more danger of giving us too much law than too little. Doubtless the Sherman Law erred in the direction of brevity and generality, so that business men were at a loss as to its exact meaning

UNCLE SAM'S NIGHTMARE.
Philadelphia *Inquirer.*

until defined by the court. But it has now been so defined, and we appear to be in danger of building up an unwieldy fabric of new law on the top of what has already been decided, which in turn must be passed upon by the courts. Thus the *Times:*

Nor could any firm or corporation or individuals engaged in trade of an interstate nature carry on business at all save at the risk, in their daily, usual and innocent operations, of blundering into a Trade Relations law should the bill having that name be enacted. The uncertainty that hung over business for twenty years, an uncertainty only a little while ago swept away by the Supreme Court, would be immeasurably deepened and intensified.

Under the Trade Commission bill, if enacted, no corporation engaged in interstate business would enjoy any privacy, its books and papers would at all times be subject to inspection and seizure, and if search and seizure were so unreasonable as to come plainly within the prohibition of the Constitution, the broad discretion under the Interstate Commerce clause would be pleaded in defense. Can it be honestly pretended that the protection of the people against restraints of trade and monopoly demands that private business shall be subject to such official inquisitions and that the information obtained "shall be public records" and may be made public in the discretion of the commission?

These bills belie the more than fair assurances of the President's address. Surely, they are the raw fruit of committee zeal and cannot have enjoyed the revision or the approval of Mr. Wilson. These bills are extreme, they reflect the ignorance of their authors, they are unsafe.

Making It Warm For Them.

IN the meantime, the Government is allowing no grass to grow under its feet in its pursuit of the wicked corporations. Suits against the following trusts were begun in the year 1913:

The Cereal Trust, the Chicago Board of Trade, the Coaster Brake Trust, the Coal Tar Trust, the Coffee Trust, the Glucose Trust, the Great Lakes Towing Trust, the Hard and Soft Coal Trusts, the Jewelers' Trust, the Kodak Trust, the Labor Trust, in the matter of two minor labor unions; the Shoe Last Trust, the Shoe Machinery Trust, the Stone Trust, the Telephone Trust on the Pacific Coast, the Tin Can Trust, the Thread Trust, the McCaskey Register Company and the Watch Trust.

And the following were dissolved, either voluntarily or by process of law:

The Adding Machine Trust, the Coal Tar Trust, the Coaster Brake Trust, the Great Lakes Towing Trust, the Harriman merger of Union Pacific and Southern Pacific, the Lumber Trust, the Powder Trust, the Shoe Last Trust, the Hard and Soft Coal Trusts, the Telephone Trust, the Cash Register Trust and the Bath Tub Trust. In the two last-named suits the Government secured the criminal conviction of many officers and agents of the companies. In addition to the above, the so-called Coffee Trust agreed to remove its sphere of activities to other countries, and the Government has received assurances that it will not return.

As to what is meant by dissolution, Attorney General McReynolds elucidates in this language:

In the suit against the Reading Company and affiliated corporations—the anthracite coal combination—the petition asks that the Reading Company be required to dispose of the stocks of constituent companies composing the combination to persons not its stockholders or agents or otherwise under its control. My fixed purpose is to oppose any plan of dissolution which would leave the separate parts of the unlawful combination under the control of the same set of men.

* * *

Shall We Have Trust Dissolution or Regulation?

THERE is a large body of highly intelligent opinion in this country which believes, in all sincerity, that the Administration is making a serious mistake. Not that Big Business should be

ANXIOUS MOMENTS.

Chicago *Record-Herald.*

allowed to proceed at its own sweet will, but that it should be subjected to Government regulation instead of being broken up into small units. These men hold that large-scale production has proved itself, on the whole, better than small-scale, and might be made still better by careful regulation. Thus Charles M. Schwab, who should know as much as anybody about large-scale operations, said in a recent speech:

There is a point about great business that ought to be understood and borne in mind, and that is that only the economical, best and cheapest method of making products may prevail, in spite of any legislation to the contrary. It must persist because it is founded on an economic basis.

I do not say that big combinations have no faults. They have gone wild and they ought to be regulated. Many of us think we are regulated, but we are no more regulated than the man who, when asked to give up wine, women and song, thought he had made a good start when he stopped singing.

Twenty years ago we in the steel business thought that a combination to control prices or to restrict the product was right. We are beginning to realize that it is wrong. When the Interstate Commerce Commission was established railroad men said it would ruin the business, but it has been the best thing that ever happened to the railroad business. I want to say that some method of regulation ought to be made for big business, which must exist in some form, because it is economically efficient.

World's Gold Production and Foreign Conditions

A World-Wide Decline in Production of Gold.

MUCH attention has recently been attracted by a report of the Transvaal Chamber of Mines to the effect that the present rate of gold production in the Rand will probably not be maintained for more than five years, and that in perhaps seventeen years the production will fall off one-half. Necessarily, this is only an estimate.

But the gold production of the world for 1913 is known with fair accuracy and it showed a general, though small decline—$5,000,000 less in the United States, $5,000,000 less in Mexico, $5,000,000 less in the Transvaal, $1,000,000 less in Australia. This is a reversal of recent tendencies, and that at a time when all the leading commercial nations except the United States are endeavoring to build up larger gold reserves.

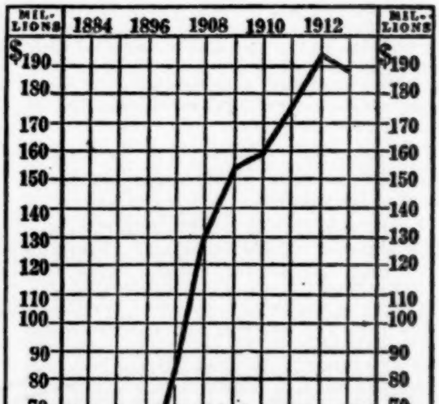
The diagram herewith (from the *Annalist*) shows the gold production of the Rand since 1884. Sir Felix Schuster touches on European requirements for gold in his recent London address, as well as upon the prospects of the money market:

> The gold reserves of the great European banks show considerable additions during the past twelve months. The Imperial Bank of Germany's stock of gold has risen from thirty-eight million to fifty-eight million during the year, and further large demands from this quarter are hardly to be anticipated. The Bank of France has raised her holding by thirteen millions. The Bank of England's reserve was higher by three million five hundred thousand at the end of the year and has considerably increased since then, while it is not a secret that many of the joint stock banks at home have added to their own holdings of gold, a movement which will probably continue when conditions are favorable. The great demand for gold from India which had taken place in 1912 was not maintained to the same degree last year.
>
> At the moment there is great ease in the money market; but large issues of securities on behalf of governments and other large borrowers are only awaiting somewhat easier monetary conditions. Already Germany has announced the issue of a large loan; France is soon to follow and she is also known to be desirous of considerably adding to her stock of gold. The impending demands from the east of Europe and from countries outside Europe appear yet to be great. Thus, money will still be in request, and the proceeds of such issues should in many instances give a renewed stimulus to trade. I trust, therefore, that the diminution in trade activity, of which there are indications, will not be so serious as is anticipated in some quarters.

* * *

Paris Now the Gloomy Spot in Europe.

WITH cheap money since the turn of the year, London has been at times almost buoyant, and in Berlin the public has participated in the markets more than for many months past. The recent Prussian loan offering was covered seventy times over, while six months ago such offerings were going begging



ANNUAL PRODUCTION OF GOLD IN THE TRANSVAAL.

in that market. The greatly improved conditions in New York are a matter of common knowledge. But in Paris the impending heavy financing and the confusion in the Government's fiscal policies has prevented any substantial rise on the Bourse. In regard to French conditions August Ulrich, of Ladenburg, Thalman & Co., in a special interview to THE MAGAZINE OF WALL STREET, says:

A good deal of money is still being hoarded in France. The question is, When will it come out? The French investor is very timid and will not let go of his hoarded money until after other nations have become satisfied that everything is all right. For this reason Paris is usually six months or more behind other markets in recovering easy money conditions.

The French have been hit very hard in some of their recent American investments and will not be likely to buy Americans again for some time. They will return to Americans only after they have been hit in the same way in, for example, South American securities, or in some other direction. Then there will be a reaction in favor of Americans.

The Troubles of the Railroads

Making Out a Strong Case Before the Commission.

THE roads do not lack for arguments in favor of their request for increased rates and they are still sanguine of success. For example, it is computed that the average return on capital invested in railroads is only 5.7 per cent. against an average of about 12 per cent. for industrials. Still, 5.7 per cent. isn't so bad.

Again, taxes on the Eastern roads have increased 111 per cent. in the last ten years, which seems to be "going some." In 1913 the Vanderbilt Lines and Pennsylvania System combined showed an increase in gross earnings of about 5½ per cent., but a decrease in net of about 15 per cent. Slason Thompson, director of the Bureau of Railway News and Statistics, summarizes the hard luck story as follows:

Highest interest rates; lowest bond offerings; highest temporary borrowing since inception of the new century. A billion less capital than needed for upkeep and growth after five years of liberality in thirteen! Not only are sails furled; the ship is anchored. Yet a nation's prosperity rests on the efficiency of its commerce.

* * *

Railroad Business Threatened With Arterio-Sclerosis.

IN the territory east of the Mississippi and north of the Ohio, in which the five per cent. increase in rates is asked, increases were as follows during the decade ending with 1912:

	%
Freight traffic	53
Passenger traffic	42
Population	17
Track facilities	21
New lines	6

The building of new lines has now come practically to a stop and the growth of track facilities, which includes yards, double-tracking, etc., is at present only a

A BIG JOB FOR THE DOCTOR.
Baltimore *American*.

fraction of the increase in traffic. Ten years ago very few steel cars were in service; but today, on 88 of the big systems all over the country, 44.8 per cent. of the freight cars are all-steel or have steel underframes. And now steel passenger cars are loudly called for and will probably be made compulsory. As Daniel Willard, of the Baltimore & Ohio, says:

The immediate and all-important question is: How shall these railroads obtain the new capital necessary if they are to provide the needed facilities and furnish the high-class service which the public interest demands, and to which the public is properly entitled?

And Ivy F. Lee, of the Pennsylvania R. R., in a recent speech to the Pittsburgh Traffic Club, shows in a word why the roads have to pay such high rates for the capital required for extensions and improvements:

Since 1910 the railroads in the territory affected have increased their investment in property and equipment by $660,000,000. During that same period their gross earnings have increased by $186,000,000, and at the same time their expenses have increased by $203,000,000. Thus these railroads found themselves worse off, after their last fiscal year, in net operating income by $17,000,000 than they were in 1910, before this additional investment of $660,000,000 had been made. Our country is growing, vast resources are being developed, immigration is increasing; yet railroads are standing still.

* * *

The Union Pacific Melon Blighted While Still Green.

JUDGE LOVETT says that the price at which the U. P. convertible bonds may be converted into stock will not be reduced from the figure of 175 on account of the proposed extra dividend on the common stock.

The distribution is of accumulated surplus profits, plainly applicable as dividends only on common stock, and is chargeable to surplus and not capital. Our action was taken only after full consideration of the relative rights of the holders of the preferred stock, common stock and the convertible bonds, for all of whom we felt we were trustees.

The owners of the convertible bonds and preferred stock could hardly be expected to look at the matter in this light. The New York *Commercial* thus outlines their plans:

This melon-cutting is defended on the ground that surplus earnings have been put back into the property in the last few years, which might have been paid out as dividends on the common stock. The basic fact whether surplus earnings were so expended will be denied by some of the contestants who will oppose this special dividend. They claim that for years the annual reports of the Union Pacific company showed that the operating ratio was kept near and often below 50 per cent. of the gross traffic receipts, and that the splendid permanent right of way and equipment paid for by the preferred stockholders and out of the proceeds of bond sales was not maintained in a high state of repair.

Repairs were charged to capital account as permanent improvements that should have been deducted from the yearly income as current costs of maintenance. On these grounds the preferred shareholders will claim that the alleged surplus never existed and the expenditure of it for permanent improvements never happened. All expenditures so charged were in fact nothing but current maintenance expenditures.

Stock Exchange Partners Elect Officers

THE new "Association of Partners of Stock Exchange Firms" met February 6 with Richard H. Swartwout as temporary chairman.

The association now has a total of 475 members, representing 275 firms out of 463 firms in New York City and 27 out of 114 out-of-town firms.

Officers and a board of governors were elected as follows: President, Henry Rogers Winthrop, of Harris, Winthrop & Co.; vice-president, Hartman K. Evans, of E. & C. Randolph; treasurer, Frederic Bull, of Edward Sweet & Co.; governors to serve one year, Richard H. Swartwout, of Swartwout & Appenzeller; Charles S. Sargent, Jr., of Kidder, Peabody & Co.; Robert H. McCurdy, of McCurdy, Henderson & Co., and Arthur Hagen, of Millett, Roe & Hagen; governors for two years, J. Horace Harding, of C. D. Barney & Co.; R. M. Stuart-Wortley, of W. R. Craig & Co.; Walter P. Herrick, of Herrick, Berg & Co., and Felix Rosen, of Hayden, Stone & Co.; governors for three years, C. H. Boynton, of C. H. Boynton & Co.; Arthur Turnbull, of Post & Flagg; Andrew J. Miller, of Boissevain & Co., and E. Townsend Irvin, of Shearson, Hammill & Co.

Several suggestions were made for improved methods of handling business, which will be considered by the new board of governors of this association. Much benefit is hoped for from the new organization.

Tendencies in the World's Gold Movements

Effect of the Currency Law—Increased Commercial Consumption of Gold—Stocks Held by European Banks

By JOHN E. GARDIN,

Foreign Exchange Department, National City Bank of New York

[It is rare that any financial publication is able to present to its readers an article on this subject from such an authoritative source as Mr. John E. Gardin. There is probably no one in America better qualified to discuss the movements of gold and of foreign exchange.—Editor.]

THE second century of our independence is still young, but it is notable for two achievements which are very important and will have a great bearing upon the future of the United States.

First, the tearing down of the tariff wall, behind which our manufacturers have shielded themselves to the disadvantage of the people.

Second, the enactment into law of a measure governing the development of our future banking relations, and it is with the latter that we are now chiefly concerned

The banks of this country have made wonderful progress in the past, but they have done so in spite of legislative action, not on account of it. From now on the law steps in to help the development of banking resources of the country. True, a good deal could be said in favor of a different law than that which has been enacted, but regardless of the fact of what kind of a law has been given to us, new developments are bound to occur, which will set at naught any preconceived ideas; hence the very best, sooner or later, would have been subject to amendments to meet new conditions that never could have been foreseen.

Great changes will take place in commercial practices in order to give effect to the new banking conditions. A prime necessity in this country is a discount market, such as exists abroad. Whether this will be developed cannot be said at the present time, as authorities are at variance on the question as to whether commercial concerns should depart from present practices. However, as far as the banking feature is concerned, it all depends upon the appointments to be made by the President, and there is no reason to fear that the greatest care will not be exercised in the selection of the men who will guide the financial destinies of this country. Upon these men will depend greatly whether the law is to be made a success or not, but granted that the selection of the management is not what it should be, still there is no reason for alarm, as the tenure of office is only a matter of a few years, while the law, as such, is here to stay and any mistakes made will serve as a guide to the future leaders. It is by mistakes only that we can profit.

Take, for instance, the Bank of France, founded upon an absolutely unscientific basis, but with good management, such as has been the case ever since its birth, the Bank of France is today the foremost financial institution of the world.

The organization of the Bank of England is not perfect, still London has risen to be the Clearing House of the world in matters financial.

The Bank of Germany is the outcome of modern thought and is supposed to be about as perfect in its organization as human intelligence can make it, but nevertheless there are a great many things still left to be desired.

In the management of these three financial giants it has been amply demonstrated that success all depends upon proper management, and there is no reason to believe that the Federal Reserve Banks will not be just as ably managed. A great deal will have to be learned, not

alone by the men conducting the Federal Reserve Banks, but also by the men conducting the destinies of the member banks as well as those undertaking commercial affairs.

DANGERS OVER-ESTIMATED.

We are at the outset of a new development and conditions are likely to arise that probably will tax the commercial intelligence of the country to the utmost. Great fear is being expressed that one or two things are liable to happen. The first is the abnormal inflation at home. This fear, I think, is unfounded. There is no more danger, *per se,* of banking inflation than there is of the inflation of commercial life; or, in other words, overproduction. The lessons of the past in this respect have been too costly and are still too recent to be forgotten. While there is material in the bank law that possibly might make for an inflation of credits, still it need not be held up as a cause for alarm, as it is presupposed that the men conducting the banking affairs of this country will for their own sake see to it that business is conducted along legitimate lines and that no unnecessary move be undertaken on the strength of an instrument that has been created for the welfare of the nation generally. Hence, this abnormal fear of an inflation of credit should be dismissed at the start.

The second fear is that under the new law it will be possible for foreign countries to deprive us of our gold holdings. They undoubtedly will be able to do so to the extent that they furnish us with a *quid pro quo,* whether in the shape of the return of our securities or in the sale to us of commodities. In either case a debt has been liquidated; hence any outflow of gold from either of these contingencies is a just payment, and no unnecessary fear need be entertained.

Gold is the basis of credit and always will remain so and to what extent we are in a position to enhance our credits on the basis of what gold we possess, we must refer to that chapter of the law permitting the issue of currency on the basis of a certain percentage of gold underlying such issues. The law permits the issue against 100% of self liquidating debts, upon which is superimposed the holding of 40% in actual gold. Thus, the inert mass of metal which is now in this country is being vitalized to an extent that can but bring benefit to all. We now hold something like $2,000,000,000 in gold, which on the 40% basis will permit of an expansion of $5,000,000,000 of notes provided the remaining security is created, and here is where the good management will come in, in scrutinizing the paper which is the underlying substance of the note issues. In this respect the Federal Bank is not the sole arbiter, but every member bank has the say whether or not its good name and credit shall be extended to its clients and the Federal Reserve Bank is only the final depository of the credit instruments and will have nothing whatsoever to say in regard to their creation. The same care and attention will be given to the granting of credits by the member banks as has hitherto been the case, as they know full well that an overexpansion will lead to disaster and they themselves will be the first sufferers.

THE BLUNDERBUSS.

The gold question is an exceedingly interesting one and our admission into the concert of financial nations will make the outflow, it is true, easier, but will have the same effect upon the inflow. The movement of gold is subject to certain laws which are just as immutable as those of the Medes and Persians, and we will hope that we will never be obliged to use an instrument so aptly termed by a leading London banker recently as a "blunderbuss." This "blunderbuss" is used everywhere in Europe and is most effective. If we expect a full development in the international world of finance, we must resort only to legitimate means in order to control the ebb and flow of the precious metal. However, it is a good thing to have an instrument of this character to be used when occasion arises; to be used when acts of piracy, one might almost say, are being committed upon our gold supply: that is when foreign countries can come into our midst and simply, by paying a price, deprive us of a substance that is absolutely essential for the welfare of the commercial community. The gold supply of the world at the present time is stationary, if not actually on the wane.

Unfortunately, the latest available figures are those only of 1910 which show the production by countries as follows:

North America	$131,385,500
Africa	175,189,900
Russia	35,579,600
Rest of Europe	3,695,600
Australasia	65,470,600
South America	11,148,300
Central America	4,657,400
Asia	27,577,000
	$454,703,900

It is estimated that the year 1911 and 1912 are almost equal to the above figures. However, one point of danger cannot be overlooked and that is the increased consumption of gold in the Arts and Industries. This throughout the world practically amounts to about $180,000,000 a year. Consequently, this amount must be deducted from $454,000,000 to show the exact amount available for credit purposes. There is a demand for the yellow metal everywhere and particularly among semi-civilized nations. For instance, India; that country has absorbed over $360,000,000 during the last two years, but unfortunately this gold does not go into commercial channels but is thesaurized; that is, made into personal ornaments to be used only when needed, or hoarded away under the miser's guard. Egypt is also a great sinner in this respect; hence, an export of gold either to India or to Egypt is always looked upon with considerable concern, and particularly where the movement assumes undue proportions. The loss of $300,000,000 or $400,000,000 to the United States within the next three or four years will mean nothing other than perhaps the development of the commerce of the country, and should the gold go out, it would mean the liquidation of debts which will have to be paid, but in all probability this liquidation will be conducted along commercial lines; that is, one commodity will be exchanged for the other, and only the resulting balance will have to be paid for in the yellow metal.

Within the last year, the desire of the European banks to strengthen their reserves has been general and, according to the latest researches, this increase has been $383,000,000, or a gain of 14.2 per cent. The stock of gold in the United States a year ago was $1,916,000,000 and so far has increased only $41,000,000, or an increase of 2.13 per cent. The following table will illustrate more concisely just what banks have added to their gold reserve:

	Reserve in Millions.	Increase Since Jan., 1913.
Bank of England	$218	$36
Bank of France	706	63
Imperial Bank of Germany	400	99
Bank of Russia	759	93
Sweden	28.5	5
Switzerland	34	
Belgium	62	5
Spain	96.5	8.5
Norway	12.5	1.9
Austria-Hungary	259.5	68.5
Netherland	62.5	3.8
Italy	55	

It is claimed that quite an important amount of gold is held as a reserve in the vaults of the great London Joint Stock Banks, but the amount is not ascertainable inasmuch as these banks do not itemize what their reserves are. They endeavor to satisfy the public with a vague statement reading something as follows: "In cash and at the Bank of England." However, the general tendency is now towards a full publication of what gold is being held by these large institutions, and one of the leaders in the movement quite recently has made a declaration that he has obtained the consent of his directors to publish the amount of his bank's holdings at the end of this year in the event that a concerted movement on the part of the other banks in this respect does not take place. It will be an exceedingly interesting matter to learn what the holdings of these various banks are, as, at the present time, there is considerable speculation in this respect.

Anti-Trust Legislation and Business Prosperity

By H. PARKER WILLIS, Associate Editor, Journal of Commerce

THE precise form to be given to President Wilson's anti-trust measures cannot, of course, at this writing be absolutely predicted. That they will follow the general lines indicated in the bills already introduced is, however, practically certain, even though many details may have to be altered, and even though many new elements of one sort or another may be introduced into them. It is, nevertheless, not likely that these alterations, additions, or innovations, will fundamentally affect the nature of the measures, or fundamentally alter their influence upon business conditions. Thus, it is possible to estimate in some degree the effect reasonably to be expected from these proposals upon business.

A DECIDED BUSINESS IMPROVEMENT.

It was a remarkable fact that almost from the moment when President Wilson's "trust" message was delivered to Congress there was an improvement in the general tone prevailing in the business world. Many who examined the message somewhat superficially were unable to see anything in the document beyond a benevolence of tone that was calculated to reassure those who were contemplating engaging in trade operations provided the attitude of the Government was sufficiently satisfactory. The wonder of those who had expressed doubt about the future was increased when they learned that even the bills introduced as having the general sanction of the administration did not arrest the movement towards better business, but were on the whole favorably received even by those who had been looking for a less drastic policy. In this, as in other cases, the instinct of the community has been right. It realizes that the important question at issue in all such matters is not the exact tenor of the legislation proposed, but is the point of view of those who urge it, and the methods by which they undertake to secure the application of their plans. In this case it had undoubtedly been believed by many persons that much more unreasonable proposals would be put forward. But it is also true that the plans actually suggested are of a very much more extreme type than many that have aroused alarm within recent years. It is partly the assurances given by the President that conservative methods are intended and partly the way in which the Department of Justice is dealing with the trust cases committed to its charge that has produced a better feeling in the business world.

During the Taft administration, with Attorney-General Wickersham in charge of the Department of Justice, there was a general ruthlessness and extremity of action that undoubtedly aroused a great deal of alarm in the minds of business men who intended to comply with the law, but who felt that the changes in methods of enforcement had deprived them of all certainty as to just what was likely to be done. Many had expected that President Taft and his administration would adopt a more conservative point of view on the trust question. At the outset there was an apparent intention of adhering to such a policy, but if such a disposition existed, it was shortly modified as a result of public doubt as to the good intentions of the administration and the necessity of reassuring the so-called "Progressive element" in Congress with reference to what was planned at the White House. Hence began a proscription of industrial combinations which has rarely been equalled in any country, and which carried the government to vicious, not to say absurd, lengths in its efforts to escape political criticism. The fact that, just before the opening of the new administration of President Wilson, Democrats then in charge of the Lower House began to declare their intention of exceeding Mr. Taft and his Attorney-General in the attacks upon business unquestionably

caused grave alarm throughout the country. This alarm was deepened by the so-called Money Trust investigation and the obnoxious methods that were pursued in conducting that inquiry. There has never been a time since the opening of the Wilson administration until now, when any definite assurances were given with regard to the plans or policies of those who had assumed control of the Government, and no time when even a clear-cut outline of what was to be done was attempted. Today the situation is clarified in both of those particulars and the business community knows about what to expect. This subsitutes at least a degree of certainty for uncertainty, and at the same time a much more conservative attitude at Washington than had been expected, is manifested.

LEGISLATION AND TRADE.

There remains the fundamental practical question how the legislation now planned will actually affect business. No one can make positive predictions with reference to any economic trend or prospective development and no one should attempt to do so. It is, however, possible to outline certain limits and probable drifts in this as in other cases. First of all the striking fact—whether acceptable or the reverse—is evident, that the attempt to define the offenses which will be subject to penalty under the Sherman act so as to make them more precise is likely to operate in the direction of greater leniency rather than of greater severity in the administration of the anti-trust act. This seems a strange result to follow from a law by some put forward as emphasizing and carrying to greater lengths a policy already believed to be of unusual severity. It is, however, the unmistakable opinion of the best authorities that by defining the restraints upon trade which are to be held unlawful the scope of the act will be very decidedly narrowed. More than twenty years of interpretation and litigation concerning the Sherman act have given it an exceedingly broad scope and today it stands as an instrument which can be turned in almost any direction according to the disposition of the President and Attorney-General who happen to be in authority at the time. By defining acts to be held unlawful, the Government will at least measurably commit itself to a distinct limitation in regard to its anti-trust policies for the future. Coupled with this is the fact that the Department of Justice is now using greater care than ever before in consulting with the managers of industrial corporations which might be subject to attack, in order to ascertain from them their views of its prospective action and to give them full opportunity to protect themselves by every legitimate means within their reach. Assuming that President Wilson secures the adoption of his legislation and that he continues his incumbency of the presidential office for three years, and perhaps for seven years, longer, it is to be expected that very much greater certainty of action and immunity from unreasonable or unfair prosecution will be enjoyed by corporations under this new enactment. This does not mean that an unduly lax policy will be pursued or that there will be an effort to temporize with or truckle to obnoxious combinations. But the bill seems to indicate that the purely political element may be more largely eliminated from the enforcement of the anti-trust law than has ever been possible heretofore.

The bill creating a trade commission has received comparatively little attention on account of the relatively limited powers assigned to this commission in certain directions. Many careless observers apparently regard it as nothing more than a measure designed to provide some good places and to enlarge the scope of the authority of the Commissioner of Corporations. In the long run the bill is likely to amount to a good deal more than that. It is well to bear in mind that the Interstate Commerce Commission was originally created as the result of just such a bill, and that its powers were expanded little by little in response to popular demands until it reached its present power and authority. That the proposed trade commission may develop along very much the same lines, that it may ultimately grow into a dictatorial body, exercising unreasonable powers of interference or oversight is entirely conceivable. For the present, probably for the next few years, nothing of the sort is to be expected. Indeed the trade

commission may have the effect of cutting off a good deal of so-called "investigation" heretofore carried on by Congressional committees or by commissions sporadically created from time to time, which has been conducted in such a way as to be infinitely more annoying than any legitimate inquiry originated and supervised by any responsible permanent body could be. The trade commission, if established on the lines now suggested, would indeed merely combine is a somewhat broader form the functions of the Bureau of Corporations and those of the Bureau of Investigation in the Department of Justice. It would make little difference to the ordinary business man how these functions might be organized at Washington. That they were there he has already had occasion to feel. The new method of directing them may prove less troublesome than the old. That the proposed bill has many defects of detail is obvious, but there is fair reason to expect them to be rectified.

The abolition of interlocking directorates, to be carried out within a specified period of time, will undoubtedly produce a considerable change in the personnel of industry. It will mean the limitation of the activities of many men who have heretofore seemed to have almost unlimited powers in the economic world. But it is not likely that the change, certainly for the next few years, will mean any particular alteration in the real exercise of authority. The same men as in the past will continue to own shares and to dictate the selection of given personalities to the directorates of the corporations in which they are interested. That in the long run the ineligibility of given men to membership on a great number of directorates may produce a less centralized type of management and may finally bring about a condition in which there will be less business favoritism is probable. Both these conditions would be desirable if they can be brought to pass without too great shock or friction, but whatever may be thought of them neither can be expected as an immediate result of the proposed legislation on the subject which is now pending.

The stiffening of penalties under the Sherman law which is proposed by some and seems likely to find a place in the new legislation is not a matter of first class interest. Nobody desires to incur the penalties of the Sherman law under any conditions, and it is questionable whether the new penalties will deter possible violators in any material degree. If it be true that the number of persons convicted is small in any event, then the effect of the penalties must in any case be limited to a similarly small or even much smaller number of persons. Such is, in fact the truth. There is no particular reason to look for a great change in the effects of anti-trust enforcement in consequence of these altered penalties. It would be of far greater importance to know that the Department of Justice intended to act as it did under Mr. Wickersham in obtaining as many convictions as possible than to know that it was empowered to secure the infliction of more severe penalties in a limited number of cases.

GOOD PROSPECTS IN SIGHT.

To sum up this phase of the discussion, it may be said that the reasonable expectation to be based upon the proposed legislation is that of greater certainty with reference to acts that may or may not be committed within the law and greater conservatism and moderation in the enforcement of such laws as exist, without, however, undue laxity or overfriendliness for industrial combinations. The effect of this outlook upon the business of the country must unquestionably be favorable. It will be the more favorable because it comes at a time when other legislation has been so adjusted as to open up new and profitable fields for the investment of capital and at the same time to supply such capital. The tariff act has produced new conditions in the industrial world and by giving manufacturers access to cheaper materials while in a measure checking the increase in cost of living by opening up new sources of food supply has tended to exempt them from the pressure for higher wages which had in recent years become so serious a menace to profitable conduct of business. That such will be the main effect of the tariff enough data already at hand seems to

testify. They show that business is already preparing to develop itself along certain lines heretofore only very moderately exploited, and that it will be able to avail itself successfully of the facilities thereby afforded to a much larger degree than in the past, because of the more economical basis of production that has been furnished by the cut in tariff duties. At the same time that this remarkable change has occurred, the banking machinery has been readjusted so as to release a very largely amount of fluid capital heretofore occupied in sustaining our credit structure. In the past an unnecessarily large quantity of gold has been employed in upholding the deposit credits of the nation, while the banks have been unable to extend accommodations to wouldbe borrowers at times when in other countries it would have been supposed the underlying foundation of cash was ample. The new legislation, when successfully put into effect, will change this whole condition and will substitute a coherent and unified banking system for one which has heretofore been at war with itself and has required a wholly unnecessary amount of gold resources for its protection. Just how much cash will be released by the operation of the new bill cannot, of course, be predicted. The exact amount will depend very largely upon the policy of the new Federal reserve banks in regard to rediscounts. Considerable sums, however, will be placed at the disposal of the community through the action of the individual banks, no matter what may be the action of the Federal reserve banks themselves. It is predicted by some that this release of fluid funds will result in large exportations of gold from the United States to Europe. If so this will be only because Europe is willing to pay more for it than are the business men of the United States. Whether the gold be sent abroad as thus predicted or used as a basis for enlarging loans at home, it will be a net gain to the community inasmuch as the country is enabled to maintain its normal credit structure, and to provide for emergencies without being compelled to keep on hand an excessive supply of gold.

EXCEPTIONAL ADVANTAGES OF THE U. S.

Were it not for the fact that foreign nations quite generally have as yet failed to recover from the losses of capital resulting from recent wars, current over-investments or misapplications of funds and the like, the United States would be warranted in looking forward to an immediate and very great expansion of its business activity. As things stand, it is probably in a better position than any other country in the world, barring the possibility of foreign complications like those that may develop in Mexico, for a steady and satisfactory growth of genuine prosperity. With the definite enactment of trust legislation now in sight, even if that legislation may not be altogether wise or sound, with a satisfactory competitive business basis established by the tariff, with the best banking and credit system the country has ever had, created under the new law of 1913, and with a large supply of fluid capital set free through the release of funds no longer necessarily held to protect existing bank reserves, a combination of conditions favorable to business advance has been brought about. In order to take advantage of this fortunate prospect, the main requirement is the psychological element known as "confidence." It is here that the trust measures are of chief interest. There has been a widespread and at times very bitter opposition to the new legislative plans that has perhaps done more to hold back prosperity than any other one thing. During the tariff struggle the most pessimistic predictions were made with reference to probable suspension of manufacturing. These were renewed when the banking legislation was pressed forward, actual panic being foreseen by many. The fact that very little of this over-pessimistic prediction has been heard since the new trust bills were offered is distinctly encouraging and suggests that the community as a whole has regained its poise and is inclined to take advantage of the improved conditions and to keep such injurious elements as they may contain within the narrowest possible limits.

Assuming that this attitude of mind is maintained, the community may be expected to avail itself of the materials for prosperity that have been placed within its reach.

The Art of
Interpreting Financial Conditions

By G. C. SELDEN

VIII—Influence of Foreign Trade

IN financial discussions and in compilations of business statistics a great deal of attention is generally devoted to our foreign trade balance, as it is called—that is, to the excess of our exports of merchandise over our imports.

A large export balance means that we are selling to other countries more goods than we are buying from them. If the balance is paid to us in gold, as it often is, this addition to our gold supply will help to keep money easy and thus to raise prices and encourage business activity.

Of course a considerable export balance is the normal state of things with this country. We are borrowers of capital from abroad, so that our payments of interest and dividends to foreign bond and stockholders are naturally large. American tourists spend a good deal of money in Europe. Most of our exports and imports are transported in foreign vessels, so that payments for freight and for passenger fares go mostly to foreign companies. This country could not possibly keep on sending gold abroad to pay all these expenses. They have to be met by increased exports of merchandise (which, of course, includes, in this sense, our agricultural products).

This export balance varies very widely from month to month and from year to year. In the first place, it has a big seasonal variation, since most of our agricultural products go abroad in the fall months, while our imports are far more evenly distributed throughout the year.

Then there are changes due to the rise and fall of prices here or abroad. For example, the panic of 1907 depressed the prices of all our exportable products (with the exception of gold, which was in abnormal demand). Foreigners took advantage of the low prices to buy heavily of our cotton, wheat, corn, manufactures, etc. At the same time our purchases of imported goods were cut down sharply by the tight money conditions on this side. The result was an export balance of $121,117,000 for January, 1908, far the largest of any January in our history.

Crops make an important difference, also. In a year when we suffer from short crops of wheat and cotton—our two principal export crops—our export balance is necessarily decreased.

A CAUSE OR AN EFFECT?

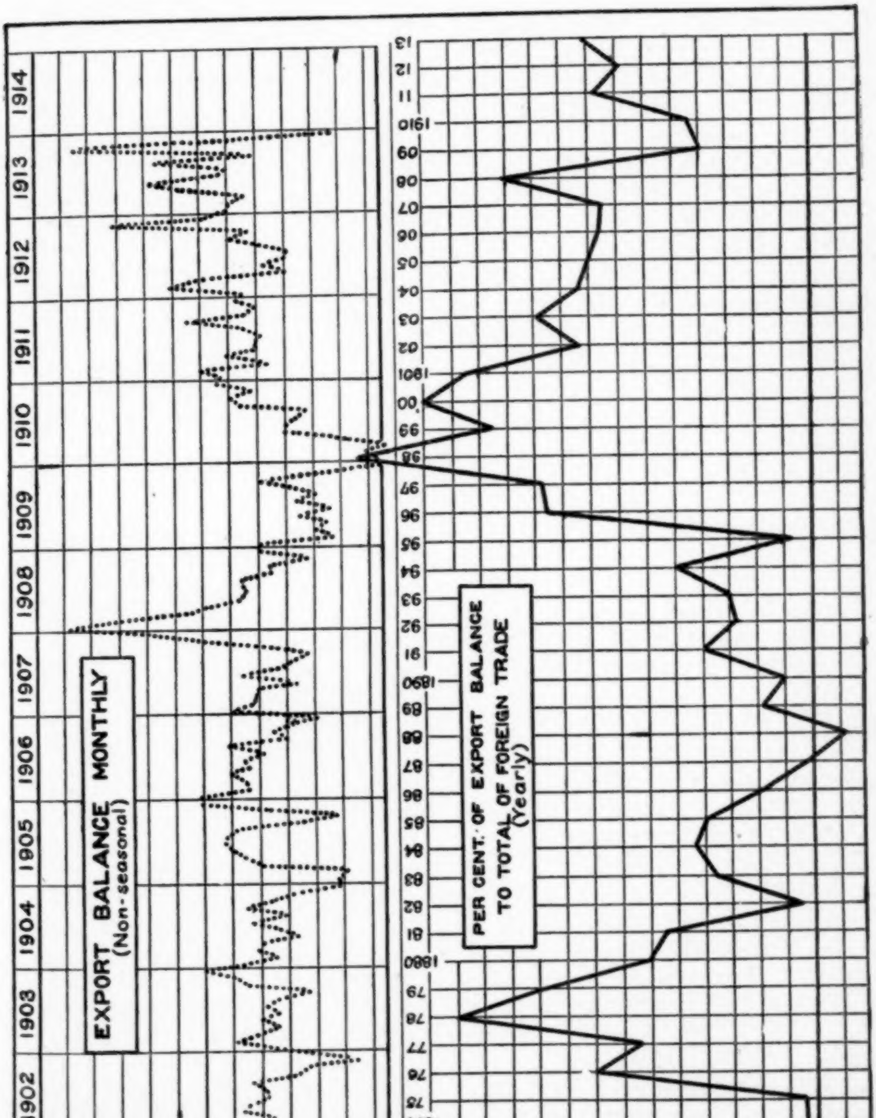
It is clear enough that our export balance plays an important part in the economic drama. Is it an effect or a cause? Doubtless both, as is the case with nearly all the great economic factors. But is it a cause in the sense that we can trace out its workings in advance and so draw from it practical conclusions as to future conditions?

At any rate the subject is important enough to warrant a systematic investigation. If the changes in our export balance from year to year will shed valuable light on the future, we want to know it; and if they do not shed any such light, we want to know that.

We first take the export balance month by month for a dozen years, apply to it the necessary seasonal corrections, and spread out the figures in the form of the upper line shown on the diagram which accompanies this article.

We see a good deal of variation there. The cause of the great increase following the panic of 1907 has already been touched upon above. The drop below the zero line at the close of the year 1909 —representing an excess of imports, even after seasonal corrections—was chiefly due to the very sharp rise in the level of our commodity prices at that time. Foreign buyers refused to follow our prices upward and our sales abroad fell off. This movement of prices may be seen on the graphic which accompanied last month's article.

The gradually rising tendency of the


EXPORT BALANCE MONTHLY
(Non-seasonal)
PER CENT. OF EXPORT BALANCE
TO TOTAL OF FOREIGN TRADE
(Yearly)
Millions
$110
100
90
80
70
60
50
40
30
20
10
0
30%
28
26
24
22
20
18
16
14
12
10
8
6
4
2
0
-2
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
1914
1874
1880
1890
1900
1910

line, considering the entire period illustrated, is partly due to the natural increase of our foreign trade as a whole, including both exports and imports, and partly to the growing ability of our manufacturers to compete in the markets of the world.

While the upper half of the graphic is historically interesting, I do not see anything in it that is of practical help to us in interpreting financial conditions. We must evidently get a broader viewpoint if we are to get any real benefit from our study of the changes in export balances. Over short periods these changes have every appearance of being for the most part effects rather than causes.

TWENTY YEAR CYCLES.

Let us begin, therefore, with 1874, after the panic of 1873 and after the disturbing effects of our Civil War had been largely eliminated by the resumption of specie payments. The growth of our foreign trade since that date has been so enormous that we cannot advantageously measure our export balance in millions of dollars throughout the whole period. The factor of growth would be so large as to distort our view of the yearly changes.

We avoid this difficulty by figuring the *per cent. of our export balance each year to the total of our foreign trade*—that is, to the sum of our exports and imports. This gets rid of the growth factor and gives us a fair comparison throughout the entire period of forty years. The result is shown on the lower half of the diagram.

We see here plainly enough the course of two great cycles in our excess of exports. These are commonly called twenty year cycles, because in two recent cases in our history the time that elapsed from one great industrial depression to the next was exactly twenty years—namely, 1837 to 1857, and 1873 to 1893. Another such period, 1857 to 1873, covered only sixteen years, and that beginning with 1893 is still in dispute.

It cannot be supposed that there is any magic about the number twenty so that the major cycle can be depended upon to be always just that length, but as to the existence of the major cycle itself there can be no doubt; and oddly enough we find that the highest points in our export balance, as shown in the graphic, are just twenty years apart—1878 and 1898. Also, the two great increases started from 1875 and 1895, just twenty years, and the first marked subsidence from these two bulges was in the first case in the year 1882 and in the second case 1902.

It is evident that each of these two great periods of increase in our exports, starting twenty years apart, culminating twenty years apart, and ending twenty years apart, was the sequel to the liquidation which followed a general panic and trade depression. Prices of our merchandise fell to the point were foreigners could buy goods cheaper in this country than elsewhere. Hence a great wave of exports until our prices rose again, with better business conditions, and thus checked foreign purchases.

Too great emphasis should not be placed on the minor changes in our export balance during the years 1882 to 1895, and 1902 to 1913. It would be easy to trace out fancied resemblances, but I very much doubt if any sound conclusions could be drawn from them. Our foreign trade is influenced by such a variety of factors, operating all over the world, that the connection between small changes and our domestic business prospects is not very close.

In studies of this character we have to avoid the fault of too great ingenuity in discovering correspondences. It is only when we can lay hold of sound reasons and controlling principles that we may feel assured that we are on safe ground.

This much we mav say, however: The course of our foreign trade in recent years does not warrant the conclusion that the panic of 1907 marked the end of a major cycle, such as culminated in 1893 or in 1873. Any such complete liquidation of general business as occurred in and immediately following those years would, if it had taken place in 1907 and after, have already resulted in a plane of prices low enough to command the markets of the world and thus to swell our export balance to a far greater extent than has been seen at any time since 1907.

(*To be continued.*)

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

The Theory of a Rising Stock Market in 1914

By H. M. P. ECKARDT
Author of "A Rational Banking System," "Bank Organization and Management," Etc.

[Mr. Eckardt is a well-known Canadian banker and a frequent contributor to financial periodicals in this country and in Europe. His knowledge of conditions the world over entitles his opinions on our market to serious consideration—THE EDITOR.]

IT appeared to the trained observer towards the end of last year that a rebound from depression was more or less inevitable. Continued unfavorable happenings might delay or set it back, and if the sinister elements retained their prominence in 1914, the rebound might not attain large proportions, but under any circumstances some upward movement was clearly due.

Likewise we may say that 1914 is likely to be a year of recovery, primarily because the preceding downward movement was apparently spent or nearly spent at the end of 1913. With unfavorable factors prominent during 1914, the recovery would probably be confined to narrow limits and it might easily give place to a new period of liquidation. If, on the other hand, general events in 1914 develop auspiciously from the market point of view, the rebound might be expected to take on additional strength and the danger of a prompt or early reversal would be largely removed.

Let us glance at a few of the forces which may affect the market in 1914:

First, the release of investment holdings of speculative stock by the great railway systems. Over $80,000,000 par value of Southern Pacific stock which formerly reposed securely in the Union Pacific treasury, has been thrown on the market. So far as Wall Street is concerned this operation in some respects is as if the Southern Pacific had issued new stock in the general market to that amount. The large increase in the floating supply of Southern Pacific stock naturally served to depress it and the general market.

Closely following the Southern Pacific distribution came the announcement of the distribution of Union Pacific's holdings of eighty odd millions of Baltimore & Ohio common and preferred. This second distribution came with the market in a more optimistic frame; it was voluntary, whereas the first was forced; and the allotment represented a bonus or gift, whereas the allotments of Southern Pacific stock had to be financed. So the inference is that, if carried through as announced, the increase of the floating supply of Baltimore & Ohio should not affect the market to the same extent as the Southern Pacific transaction.

In this connection one has to bear in mind that there may be further large additions to the floating supply of active stocks in the near future. Pennsylvania may, voluntarily or perforce, part with its

holdings of Southern Pacific and of other stocks; New York Central may do likewise; Union Pacific still has some stocks which may be disposed of, and other Eastern roads are in the same position.

However, if the market is enjoying a release from the exaggerated fears of 1912-1913, and if other conditions are favorable, this prospective increase of the floating supply of stocks may not cause trouble or even inconvenience. Indeed, distributions of the kind might be made in such a way as to constitute bull points rather than bear points.

THE CURRENCY LAW.

So far as the new Currency Law is concerned, it will necessarily take some time to perfect the organization of the Federal Reserve banks and get them in working order, and the actual effects of the change of system may not be felt in Wall Street to any great extent until 1915. But the knowledge or belief that the banks will be in operation during the crop moving season of 1914 should have a favorable sentimental effect on the market. The creation of the reserve banks should tend to make the average investor more comfortable in regard to a monetary squeeze in the fall and in regard to panics. Feeling more comfortable in these respects he might be expected to operate more confidently on the bull side.

Another point is the note issues of the Federal Reserve banks will to some extent represent an addition to the currency supply of the nation. Some will say that a certain measure of inflation is to occur. If there is to be inflation it may be assumed that activity in the stock markets will be incidental thereto.

It is generally understood that Wall Street has ceased to worry about the tariff changes. The Street has registered its judgment to the effect that certain industries will not be able to make as good profits under the Underwood tariff as they made under the conditions prevailing prior to its enactment. The particular securities so affected may be expected to lag behind when the general list is moving up. But in case of the railroads in particular and American industry in general it is recognized that the removal of trade obstructions should tend to promote prosperity and good times.

At this stage the question of the attitude or policy of the Federal and State governments comes to the fore. In order that trade and industry may take full advantage of the removal of trade obstructions and the creation of new credit-granting facilities, it is necessary that the business interests of the country be able to go ahead with their legitimate projects without fear of undue governmental interference.

Every one can see now that Big Business is thoroughly humbled. Nothing would be gained by continuing to apply the lash. The numerous dissolutions of corporations have been taken by the people, rightly or wrongly, as great victories over public enemies. And now it seems that the Washington administration, and many of the State administrations will bend their efforts more largely towards removing the fears which have taken possession of capitalists and investors as a result of the governmental attacks of the past few years.

This work of restoring confidence among the investing classes cannot be accomplished in a day. In certain cases thousands of innocent investors have seen, as a result of government suits or other action, great impairment of the value of securities held by them. In various instances costs of production or distribution of important articles of commerce have been permanently increased by reason of government action. However, the fact that the powers that be in the political world are endeavoring to reassure in place of threatening, must have a tendency to make the stock market more cheerful.

FREIGHT RATES.

Here the matter of increased freight rates obtrudes itself into the discussion. A decision favorable to the carriers might serve to raise Wall Street's hopes quite materially. Under the right circumstances such a development might fill the market with enthusiasm. Possibly Wall Street would take the episode as an indication that the Commission would be disposed thereafter to receive further applications by the carriers for

higher freight rates more sympathetically than in the recent past.

On thinking the matter over one may see, however, that the importance of a favorable decision in the freight rates case as a market factor might easily be over-estimated. The benefit derived by railway stockholders and the market generally from a present or prospective increase in freight rates depends largely on the ability of the railway executives to keep the demands of their employees within reasonable bounds.

Some experts are convinced that the real peril under which American railway securities lie is the power of the organized employees of the roads to force increased wages. Unless the railways can find means of withstanding the periodical demands for higher wages, the point will eventually be reached at which increase of freight rates, even if allowed by the Interstate Commerce Commission, would fail to bring in increase of revenue. The law of economics in that respect would be more unyielding than the Interstate Commerce Commission at its worst. So it is possible that railway stocks will not fully regain their past standing until it has been demonstrated clearly that there is a definite limit to the demands of the railway unions.

With the drop of call money rates to 2 per cent. and less, still another factor, with a tendency to raise prices of securities came into play. Financial houses are thus given the opportunity of making a handsome profit through carrying good stocks and bonds.

For instance, a house could easily take on a large line of stocks in case of which the net yield is 5½ or 6 per cent. (with practically no danger of reduction) through borrowing the money therefor at 2 per cent. Let us say that the house has $200,000 surplus cash available at its bankers and that it buys $1,000,000 worth of stocks yielding an average of 5¾ per cent. It will be necessary to borrow $800,000 at say 2¼ per cent. Assuming that the net yield and the net cost, respectively, remain unchanged, the annual interest outgo would be $18,000 as against a dividend income of $57,500. In other words the capital of $200,000 is yielding at the rate of $39,500 per year, or 19.75 per cent.

Of course it is necessary to take into account the possibility of a rise in call loan rates. With reference to such a rise it can be said that the indications do not point to it in the immediate future—the outlook is for a period of comparatively cheap money.

Even if the favorable state of affairs lasted only three or four months the gain would be considerable if at the end of the period it were possible to sell the stocks at prices involving no loss. It is quite within the possibilities that there would be a substantial profit on the sale of the securities as well as a fancy rate of revenue on the capital so employed.

Operations of this kind are open to private capitalists as well as to financial houses. In the case of big capitalists the margin of interest profit on carrying the transaction would be quite as large as in the cases of the financial houses just mentioned; but in case of lesser capitalists it would not be possible to borrow at brokers' rates and the margin would therefore be narrower.

INFLUENCE OF FOREIGN CONDITIONS.

There is reason to believe that during the current year Wall Street will not be quite so susceptible to trans-atlantic money market developments as it has been in recent years. The best authorities are well aware that New York at present has a very strong position in international finance. During past seasons in which Wall Street has trembled whenever a rise in the Bank of England rate was suggested, American borrowings in the London market were very large. But for a year or more American borrowings in Europe have been small. As a matter of fact New York has been "assisting" Europe financially in one way or another all the time by loans to German banks, shipments of gold to South America for London account, etc. The credit balances and other funds carried in London by New York banks must have reached large proportions. Owing to this state of affairs it is scarcely to be supposed that there will be seen extreme sensitiveness on Wall Street's part to European happenings.

In one respect, however, Wall Street

may be affected quite powerfully by Europe's attitude. Should there be, as there well may be, complete restoration of confidence among European speculators and investors in the course of 1914, and a general movement on their part to regain the American stocks sold by them during the recent period of unsettlement, it is quite safe to predict that Wall Street will not deliver the stocks at bargain prices. Quotations on this side mostly likely would be sharply advanced while that buying was in evidence.

On passing all these points carefully in review it is seen that the theory of an advancing stock market in 1914 can be supported by a number of strong arguments. These arguments in some cases appear to be so strong as to be almost conclusive. However, it should not be forgotten that sometimes the whole complexion of the stock market outlook can be changed through the introduction of new factors, or through the rising into prominence of old factors which had been practically disregarded.

Stocks Affected by Agricultural Credit Section of Currency Law

By HALIBURTON FALES, Jr.

FOR several years past economic forces have been working to promote a divergent tendency of profits between the manufacturing and transportation industries and the agricultural interests of Europe and the United States.

The prices of manufactured goods have remained either stationary or have declined, because of the rapid expansion of productive machinery, although they have been produced under constantly rising costs. But labor costs for agricultural products have remained relatively stationary, and with increased efficiency through the use of fertilizers and improved farm machinery agricultural profits have increased.

In addition to the effect of the economic tendencies suggested above, the social, political and legislative forces of the times have recently begun to operate in favor of a further diminution in industrial profits and increase in the returns from agriculture. The lowering of the tariff, the better organization of union labor, the growth of the Socialist party, and the rise of the Industrial Workers of the World have interfered with industrial profit, while the increase in the consumptive power of the people, freedom from labor disturbance, and the passage of the Currency Law, interlarded with extravagant favors for the farming community, have helped agriculture.

Further recent occurrences, such as Secretary of Labor Wilson's attitude in behalf of labor in the Calumet and Hecla strike, Secretary of Commerce Redfield's threats to investigate the efficiency of manufacturers who might shut down their plants or reduce wages, contribute their mite to show which way the wind is blowing. Still other straws are the agitation for the prevention of trading in futures upon the produce exchanges and for the immediate creation of a Rural Credits Association or a Farmers' Land Bank under the auspices of the Government.

The rider to the Sundry Civil Bill, twice passed by Congress, once by a Republican Senate, and once by a Democratic Senate, which prohibited the use of certain funds in the Treasury under the Sherman Law against Trades Unions or Farmers' Organizations, was an indication of the present spirit of the politicians and of the people.

Most fortunes made from the purchase of securities have been gained through

the advantage taken in its infancy of some great economic change—in routes or in methods of transportation or communication; through the development of a cheaper or better substitute for some commodity of general consumption; by discovery of new sources of raw material; or by some change, either natural or artificial, in the volume or nature of the circulating medium or in the method of distribution.

The adoption of the Silver Purchase clause of the Bland-Allison Act of 1890, by which this government virtually went short of gold when its supply was increasing, and long of silver when its volume and values were decreasing, brought on a great depression. Its repeal, followed shortly after by the great gold discoveries in the Rand and the Yukon, brought general prosperity. The discovery shortly after of the great Minnesota Iron Ranges and consequent cheapening in costs of manufacture produced a crop of millionaires the world is still enviously talking about. The failure to recognize sweeping changes in conditions has as frequently meant tremendous loss.

The purpose of this article, to which the foregoing is merely intended to serve as a background, is to show the favorable effect which the recent Currency Law and other pending legislation will have upon the stocks of companies serving the agricultural interests, or stocks which will otherwise be benefited because of extensive land holdings. In this connection, the most important clauses of the bill are herewith quoted, the principal points in italics:

"Upon the endorsement of any of its member banks, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange, issued or drawn *for agricultural* or commercial purposes, or the proceeds of which have been used, *or are to be used,* for such purposes, etc. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, *secured by staple agricultural products,* or other goods, wares, or merchandise, from being eligible for such discount. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days:—Provided, that notes, drafts, and bills drawn or issued for agricultural purposes, or based on live stock, and having a maturity *not exceeding six months,* may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board."

Section 24 further provides that "any national bank not situated in a central reserve city, may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than *five years,* nor for an amount exceeding *fifty per cent.* of the actual value of the property offered as security. Any such bank may make such loans, in an aggregate sum equal to twenty-five per cent. of its capital and surplus; or to one-third of its time deposits."

These extraordinary favors, however, were considered inadequate by our agrarian Congress, and the Currency Bill was passed only because of the promise of the President that a separate law creating a land credit bank, or rural credits association, would be passed shortly, in the present session of Congress. This law will provide for loans of longer maturity, the purpose of which is to provide the farmer with the means to purchase needful farm implements, fertilizers, etc., and to secure other improvements.

The fever of this sort of thing has spread, and now Governor Glynn is strongly advocating similar State legislation for New York.

The forces thus set in motion cannot fail to help such corporations as serve the agricultural community, either by producing a broader market for their products, or through the release of a large part of the enormous working capital these corporations must use in order to do business under present conditions.

The truth of this may readily be appreciated when it is observed that:

(1) The farmer will be allowed to borrow upon his note secured by staple agricultural products, the proceeds of which have been used *or are to* be used for agri-

cultural purposes. In other words, the farmer may borrow upon unsold assets or merchandise, a privilege not accorded to other commercial interests, and a privilege which will not only supply him with cash, but incidentally increase his purchasing power to a great extent.

(2) His ability to borrow upon a non-liquid asset, such as land, will also increase his purchasing power.

As typical of the manner in which this bill would operate, let us take, for example, the last balance sheet of the International Harvester Company. The Company had $80,000,000 of common stock and about $81,000,000 of farmers' notes, accounts receivable, etc. These notes have a life in some instances of as long as three years. Let us presume, however, that the life of the average note is eighteen months. This is probably a conservative estimate, as certainly not every note was made for the maximum length of time. The average of 0 and 3 is 1½.

The bill allows the banks to lend upon notes, drafts, and bills drawn or issued for agricultural purposes and having a maturity not exceeding six months, a provision which will, no doubt, be utilized at once by the farmers and the "agricultural equipment companies." This would allow a reduction of the outstanding bills and accounts receivable of 33 per cent., or one-third of $81,000,000, which is $27,000,000. This $27,000,000 reduction in the working capital necessary could then be applied either to the increase of the company's business, to increasing the dividend, or as a melon—in either case a benefit to the stockholders.

As the customers of these companies, i. e., the farmers, borrow upon their notes secured by staple agricultural products drawn for agricultural purposes, the proceeds of which have been used or *are to be* used for such purposes, there is no doubt that, with the greater purchasing power of the farmers, the market for fertilizers and harvesting machinery will so enlarge as to make it desirable to retain the money so released for the extension of the company's business.

There is no question in the mind of the writer but that the ability of the farmer to borrow upon unsold farm products is sure to create a great commodity speculation in this country nor any less question that the ability to borrow for five years upon "improved and unencumbered farm land" is sure to create an enormous land speculation.

Undoubtedly, the great landholding railroad corporations of the country will feel the effect of a rise in the value of their assets, and other things being equal are for that reason a more desirable purchase on that account. Union Pacific, Southern Pacific, Northern Pacific and Great Northern are the principal landholding railroad companies. But probably much more likely to benefit than these, because of their lower price and the greater proportion of the value of their land to the total value of their assets, are the International Paper Company, the Union Bag and Paper Co., and the Colorado Fuel & Iron Co., all three of which companies have large land holdings.

The principal agricultural equipment companies to be benefitted are: (1) The International Harvester Co. The old company, which dissolved last year, turned its domestic business over to the International Harvester Co., of New Jersey, and its foreign business and the manufacture of its so-called new lines over to the International Harvester Corporation, dividing as nearly as possible its assets and liabilities between the two companies. The old company had made a phenomenal success since its incorporation. During the last four years, it has at no time earned less than 25% upon its preferred stock, or 15% upon the common. The total accumulated surplus amounted to $40 per share upon the common stock, December 31, 1912. Both the new companies will benefit from present and prospective legislation. The company's accounts receivable were $81,000,000 in 1912, of which $62,500,000 were farmers' notes. A large part of this amount will, in the future, be carried by the banks. Each company has $30,000,000 of preferred and $40,000,000 of common stock.

(2) The J. I. Case Threshing Machine Co. The $37,800,000 preferred stock of this company was listed upon the New York Stock Exchange in October, 1912.

From the condition of the company's balance sheet of December 31, 1912, we should judge that the company was conservatively managed, and in excellent condition. Valuable restrictions as to the payment of dividends upon the common stock to prevent the reduction of the company's liquid assets are a safe-guard to the company's preferred dividend. The preferred stock earned 18.64% in 1912, the common 17.50%. The company has a further $20,000,000 of unlisted common stock.

(3) Deere & Co., manufacturing ploughs, earned 11.5% upon its 7% cumulative preferred stock for the year ended October 31, 1912. Its trade marks, good will, etc., seem overvalued at $19,000,000. It has $20,000,000 of notes and accounts receivable.

(4) M. Rumely Company. The securities of this company are admittedly an extremely risky speculation. The troubles of the company have been due principally to the overextension of the company's working capital. Three years ago the company did a gross business of about $7,000,000. In 1912, the gross was over $15,000,000. This mistake is sure to be corrected under the new management of Mr. C. S. Funk, for six years general manager of the International Harvester Company. The crucial point in the company's affairs is the question whether the company will be able to renew its bank loans and its $10,000,000 of notes maturing March, 1915. It is hoped that with ease in the money market these loans will be extended. If they are, the stocks should rapidly advance in value. In order that the company may renew its bank loans for the coming season, the question of the extension of the company's $10,000,000 of notes maturing March, 1915, becomes a matter of supreme importance. Noteholders and holders of the company's bank loans are each looking to the other to make the first step.

(5) The American Agricultural Chemical Co. has $27,113,000 of 6% cumulative preferred stock and $18,000,000 common, now paying 4%. The company's $10,000,000 five per cent. convertible bonds and the preferred stocks are excellent and conservative investments. The common stock, which last year earned 5¼% in the poorest year of many years, is a business man's investment. The company is ably managed. Bills and accounts payable, $20,000,000.

(6) The Virginia-Carolina Chemical Co. has paid 8% upon its $20,000,000 cumulative preferred stock since its organization in 1895. Its common stock, which is a speculative football, has paid as high as 5% in dividends, and sold up to 75. The company's $13,800,000 five per cent. bonds, due in 1923, earned their interest charges no less than four times over in the last year, the worst of many. Bills and accounts receivable about $18,000,000.

(7) The International Agricultural Corporation has passed the dividends upon its preferred stock. The company has some very valuable phosphate mines. Mr. W. S. Shaw was made a vice-president of the company, it is understood, at the instigation of the National Park Bank, which is supposed to hold a large amount of the company's paper. For those who will consider a risky speculation for the chance of a big profit, the company has probably suffered the worst that is likely to happen.

(8) The Tennessee Copper Co., as the largest producer of sulphuric acid, may be classed as an Agricultural Co. As a copper stock, it compares favorably with many other properties.

Which Kind of Stock is Best?

By RICHARD D. WYCKOFF

V.—Self-Propagating Business

A DOZEN years ago a retail cigar dealer in an up-state city borrowed fifteen hundred dollars with which to open a couple of new cigar stores. Today he heads a thirty-five million dollar corporation owning twelve hundred cigar stores and adding from one to two hundred new stores to its chain every year. Gross business for 1913 was about forty million dollars.

About that time a prominent publisher conceived the idea that the waste in grocery business consisted in going for the order, delivering the goods and waiting for your money. He opened a string of stores where the buyer not only called for what he wanted, but had to plank down the cash first and then take away his dozen eggs or his barrel of flour himself—or at his own expense. These stores naturally sold goods cheaper than the old style corner grocery that went through all the familiar motions (and waited for his cash) and so people flocked there and took away oodles of goods, to the eminent satisfaction of the grocer-publisher. If a certain store didn't pay it was closed forthwith. Several years ago Mr. Munsey was making a million per annum out of his "Mohican Stores."

Then there was a dry goods and notions man off in Pennsylvania who one day got a new "notion." It consisted in offering for sale a lot of little articles that could be sold for a modest nickel or dime. His profits have since built the tallest building in the world, costing some thirteen million dollars. Gross sales made by this chain ran sixty-six million dollars in 1913, and the half-cent out of every nickel and the penny out of every dime yielded a neat profit of six millions net.

There are many other instances—Tom Lipton of England and James Butler of the U. S. A. with their hundreds of grocery stores. Riker-Hegeman, Kresge, Liggett's—any number of groups in different lines throughout the country. The secret of their success is the same. It consists in a large turnover, a small margin of profit and a surplus each year big enough to pay for the establishing of more new stores. Then, in time, these new stores are chipping in their profits with the old stores and the volume of revenue from the endless chain continually expands until it is difficult to set bounds on the ultimate earning capacity of these enterprises.

This is why we call them self-propagating.

Did you ever read the story "Pigs is Pigs," in which an official dispute arises as to whether guinea pigs are pigs? If you have not, spend half a dollar for a copy, and you'll get a half-hour's pure fun and a clear idea of the advantages in the chain-store-kind of stock.

Down here in Wall Street, we have all sorts of animals: Bulls, bears, lambs, wolves, jackasses, cats, dogs and now at last guinea pigs. For these chain-store or "guinea-pig" companies are highly prolific, both in stores, profits and, as time must prove, in dividends.

Apply this self-propagating test to other kinds of stock. With the exception of Lackawanna we can scarcely find a railroad to which the term would even indirectly apply. They are all borrowing steadily and continuously and when they must pay they borrow to do it. The Lackawanna, that Crœsus of railroads, improves itself to the tune of many millions yearly, adds fifty miles or so to its lines now and then and covers up its profits by increasing its stock.

Among industrials the U. S. Steel Corporation is to a certain extent self-propagating because it is constantly enlarging its capacity without borrowing the entire cost and certainly without capitalizing the earning power of the new plants.

Any corporation which enlarges capacity out of its own resources and without piling up its fixed charges may be viewed in this light; but we must go a long way

to find such a multiplying and compounding of possible profits as in the chain-store enterprises.

Fact is the retail trade of this country is being remodelled on new lines. In the old days the cigar store could be located by the wooden Indian in front. Everyone recognized this noble creature as the symbol of the trade, though his value as a business getter was hard to appraise. Brushing past the Chief you made your way into the store. The proprietor, hearing the gong ring as the door opened, left the back room where he, his wife and babies lived, sauntered forward and waited on you. With a sense of having intruded you laid down your dime, took your cigar and got out.

All this is changed. You are now attracted by a red bordered window or an electric sign. There's "one always in sight." When you go in you are met with courtesy and promptness. The salesman is right there behind the counter. He's ready and anxious to wait on you, for he gets a percentage on his sales. He says "thank you," because he's trained to say it as part of each transaction. These little words help create the United's good will.

Your wife who may once have looked disdainfully at your cigar bills now gathers in your coupons (which are really a 5 per cent. rebate) and exchanges them for little things in the way of house furnishings. It's all a well planned and carefully executed campaign of money-making which is intensely successful. It makes friends. It makes smokers. It makes dividends.

Handling enormous quantities of the same kind of goods the chain-stores hold an immense advantage in purchasing power. Doing a strictly cash business on the selling end, these companies pay cash for their purchases (often amounting to millions of dollars' worth at a time) and thus get the lowest prices and the best discounts.

To quote the head of a chain of seventy retail dry goods stores scattered through the Western States:

"Our quantity buying enables us to do this, for we buy so much that we are entitled to and get jobbers' prices. The prices at which we sell enables us to turn our stocks from four to six times a year.

"We cater to the masses, and we do it in a simple way. We sell a man good merchandise at a low price, but we attach no fancy window trims or bargain sales to our merchandizing methods. In fact, we have no bargain sales for the simple reason that we can have none. We buy often and in small quantities, and we sell on so small a margin of profit at the beginning of a season that there is no left over merchandise on the shelves when the season comes to a close. The fact that we have no charge accounts enables us to know just where we stand at any time with a minimum amount of clerical work in any store. We have no cabarets or moving pictures, but we do have one price for every purchaser. Rich Mrs. Smith gets no better price or attention that poor Mrs. Jones.

"In 1913 our stores did a gross business of about $3,000,000, and in view of this it seems safe to estimate that the enlarged chain will do a business of $4,000,000 this year. This can be attributed to the interest and to the close attention to business and detail on the part of the managers of the various stores. Each store manager is more than an employee. He has a salary for managing the store in his charge, but he is also a stockholder in this particular store to the extent of a one-third interest. No manager's activities are curbed in any way. Each is permitted to reinvest his surplus in a new store and in turn to sell a third interest in it to some bright assistant who wants to buy in. If the assistant hasn't the money with which to buy in, it is advanced to him on a personal basis. We are careful to pick men only of sterling character, and we have yet to pick a man who has not made good the faith we have placed in him. The assistant who buys a third interest in the store started by his superior, may, when his finances warrant it start another store and sell a third interest in it so some bright young man who has assisted him. In short, it is a sort of endless chain proposition, and some of our men are interested in twelve to eighteen stores.

"It is an inspiration to see the spirit of co-operation that dominates the operation of the stores. Every man is ready to help his brother manager at any time,

and one man's idea or plan for the betterment of the business is the property of every other manager in the chain as soon as its practicability is proved. That is efficiency of the highest sort, I think, and the part that it has played in the success of the stores we own is inestimable. This spirit of co-operation is best illustrated by the buying trip which the men are now on. Thirty buyers are in New York City now, and they are buying for seventy stores. The men who are buying are working just as carefully on goods which they do not want for themselves, but which may be wanted by a store several hundred miles from them, as they are in searching out the best values the market affords for their own stores.

"The thirty buyers are divided up into six committees of five men each, under the direction of an experienced buyer as head. These committees buy various lines, as the experience of their members warrant. The members of each committee scour the market daily while they are in the city for the best values they can find in the lines they are attending to. These men meet every night at 7:30 and compare values. The best value is picked out by the committee head, if he is satisfied with the offers brought in, and the orders for the whole seventy stores are lumped on the particular article or line he decides on. The evening meeting is the second one that is held daily. Every morning we meet at 8 o'clock while we are here and outline the plans to be followed for the day."

* * *

Looking at the proposition in a broad way and comparing the principal industries in their main characteristics, it will be seen that while railroads are self-obligating and mines self-exhausting the chain-store corporation is self-propagating and in the long run must yield a rapidly increasing revenue. This may be diluted from time to time, but the long time investor who buys and sticks, taking new stock or whatever may be dealt out to him and holding it for the future, must fare well—beyond reasonable expectations.

For this continuous addition of productive units can, with honest management, bring but one outcome—large, increasing and cumulative earning power and profits.

With this preliminary I will mention some of the corporations which for one reason or another come within this class at the present time.

The most conspicuous success, judged by the number of stores and the net return to those purchasers who bought the stock some years ago, has been made by the

UNITED CIGAR STORES.

This consists of a holding company with a capitalization of $5,000,000 7 per cent. preferred stock and $30,000,000 common. This holding company has in its treasury various operating, holding and real estate companies which control the groups of stores in their various territories.

After their small beginning in Syracuse, the Whelan Brothers gradually acquired eight or ten stores and hotel stands in that city. There they originated the plan of giving premium coupons with each purchase. The business grew and they finally succeeded in organizing a chain of stores in large cities, controlled by the United Cigar Stores Company, with a capital of $200,000, of which less than $100,000 was paid in cash. Later the capital was increased to about $2,000,000, of which the American Tobacco Company held about 60 per cent. After two or three enlargements of the capital the public was invited to come in and the stock now selling on the Curb at about 92 is the only issue which any one has a chance to deal in.

Very little information is published regarding the operations of the company. The president, George J. Whelan, has his organization so finely systematized that there are few concerns in the country to compare with it in this respect. Mr. Whelan is the King of the Cigar Stores' business and the long chain of stores extending all over the country is the net result of his genius. He keeps the stock on the Curb because, as he says, he wants to run the business himself and he don't want the Stock Exchange to say what shall and shall not be published. Nevertheless, it is possible to glean a few important facts regarding the operations of this concern.

The company has upwards of 1,200

over $20,000,000; in 1913 about $32,000,000. With the increased number of stores and general development of the business, it is expected that a gross of $40,000,000 will be reached in 1914. Because of the large volume of business handled, the company can sell cheaper than its competitors and the coupon system is an added attraction. New stores are opened at the rate of up to 200 per annum, and the company has the cash, either actual or concealed in its subsidiary treasuries, to carry out this programme for five years.

The general plan of operation is to ascertain, by means of actual count, the number of men who pass a certain street corner per day. In this way the most satisfactory locations are secured. The next move for the Realty Company to lease the desired building for a long term, and to make improvements as will frequently enable the Cigar Stores Company to hold the most valuable corner and rent the balance of the ground and upper floors at a price that will practically give the Cigar Stores Company its rent free. Next, the Equipment Department takes hold and fits up the store. The window-trimming follows—this being uniform in all the stores. The interior is so arranged that there is no waste and no unnecessary steps for either customers or employees. Everything is figured down to a hair, so to speak, and there is no lost motion in any one store or in the entire organization.

Supposing it costs $10,000 to establish a new store; the earnings of that store are never included in the total income until they have first amounted to sufficient to entirely cover the cost of the store. From this it will be deduced that there should be enormous equities in the new stores which are opened at the rate of from two to four a week, and we doubt, therefore, if anyone can ascertain the real equity and earning power of United Cigar Stores' stock.

A recent development is the installation of soda fountains and candy counters in the stores. This part of the business is only an experiment at present, but as the American taste for "sweets" seems to be a growing one, there is no reason to think it will prove a mistaken policy.

Mr. Whelan declares that when you buy United Cigar Stores' stock you do it purely on your confidence in the enterprise and your optimism regarding its future. There is no settled dividend policy. He favors soaking the surplus earnings away in the business and keeping dividends low indefinitely. There is no telling exactly what this means in the future, but no stockholder has ever had to complain, unless he happened to be a speculative purchaser who bought at the top of a big upswing.

The old Company paid 8% and holders received three new shares for their one old one. The new shares are paying 5% with an occasional extra dividend. At that rate this equals 15% on the old stock. The Company has over 100,000 employees, every one of whom is examined physically in order to ascertain his fitness for the work. However, should he become ill after being employed he is sent away at the Company's expense. Prizes are given for salesmanship records and various other little humanitarian wrinkles are employed. Everything in the business is system, system, system!

F. W. WOOLWORTH COMPANY.

This corporation is a little more liberal in its publicity methods. It is capitalized at $15,000,000 7% cumulative preferred stock and $50,000,000 common stock—the latter having been issued for "good will."

This "good will" item is the most criticised point about the whole proposition, and it is a question whether any such value could legitimately be placed upon the good will of this concern. No doubt if the Company were liquidated its title (which is a valuable trademark) would bring something, but certainly not $50,000,000.

That is not the way to regard this common stock, however. Originally, Mr. Woolworth and his associates owned the business and ran it as a close corporation. It was gradually expanded and other chains of stores were taken in. Its combined stores had an earning power which was very large in proportion to the capital employed prior to the date of the present organization, viz: December 15, 1911. What was Mr. Woolworth to

do? Sell the public fractional shares in a stock which might sell at several hundred dollars, or bring the shares down to a price where buyers would be interested, by creating more stock? Whichever way you look at it, whether you have a small piece of a big pie or a big piece of a small pie, the net result is the same, and I personally see nothing against the good will item to vitiate the attractive features of the enterprise.

In the end there will be no preferred stock and the common stockholders will own the entire business. No doubt the President and the Directors will always retain a large share of the common stock, as no one knows better than they the future possibilities of the business. Provision for retirement of the preferred stock has been made by a requirement in the Charter that the Company set aside a certain amount after all dividends on the preferred stock shall have been paid. This amount is required to be *at least* 3% of the largest amount of preferred stock that shall have been or may be at any one time issued or outstanding, and these funds, known as "Special Surplus Account," are to be applied to the purchase of preferred stock at the lowest price obtainable, but at not over $125 per share. This stock is to be retired, and it is is said that an amount covering the next five years' requirements has already been retired. Other surplus accounts are provided and the whole financial plan so adjusted as to insure permanency of dividend payments.

Sales and profits for the last eight years make an interesting study:

Year	Sales	Per c. of Inc.	Profits	Per c. of Inc.
1906	$27,760,664.07		$2,723,354.22	
1907	32,968,144.84	18.7	2,971,118.99	9
1908	36,206,674.24	9.8	3,617,077.15	21.7
1909	44,438,193.39	22.7	4,702,802.23	30
1910	50,841,546.98	14.4	5,065,031.04	7.7
1911	52,616,123.68	3.4	4,955,255.57	
1912	60,557,767.00	15	5,414,798.00	9.2
1913	66,223,083.00	9.4	6,000,000.00	10.8
	Average,	13.3		12.6

These sales and profits if worked out on the average percentage of increase which has been shown for the past eight years would give the following estimated sales and profits to 1918, inclusive:

Years	Est. Sales	Est. Profits	Approx. Pct. on Com. Stock
1914	$ 75,030,000	$ 6,756,000	11.4
1915	85,009,000	7,607,000	13.1
1916	96,315,000	8,565,000	15
1917	109,125,000	9,644,000	17.2
1918	123,639,000	10,859,000	19.6

S. S. KRESGE COMPANY.

This Company owns a smaller chain of five and ten cent stores in the Eastern and Middlewest States. Business was begun in 1897 and has increased steadily through re-investment of profits in new stores. These have been added to the chain as follows:

Year	No. Opened	Total
Including 1897 to 1907	8	8
During 1908	8	16
During 1909	9	25
During 1910	16	41
During 1911	10	51
Up to April, 1912	15	66
Up to January 1, 1913	19	85

Like all stores of this character the business is conducted on a cash basis, hence there are no losses from bad accounts, and the Company takes advantage of all available cash discounts.

Results have been as follows:

Years	Sales	Net Profits
1909	$ 5,116,099	$310,993
1910	6,508,752	408,957
1911	7,923,064	470,866
1912	10,325,488	669,179
1913	13,258,227	Not announced

RIKER-HEGEMAN CO.

Is a combine of two well-known drug corporations. It operates 93 stores in 22 cities.

GROSS BUSINESS.

1912	$12,000,000
1913	15,000,000
1914 (est.)	20,000,000

Net profits for 1913 were at the rate of from 12% to 15% on the common stock, which is par value $5, with $5,000,000 outstanding. This issue is selling on the curb at about $8 per share, and is paying 4%, or 20c. per share per annum. There is $2,000,000 of 6% preferred stock. This Company is controlled by George J. Whelan and his associates in the United Cigar Stores Company, who are said to own $3,600,000, or 70% of the common stock. It is semi-officially reported that cash dividends will be discontinued and stock dividends distributed

stores, 300 of which are in New York City. In 1910 the gross business was instead, so that the cash can be used for the opening of new stores and the general expansion of the business.

H. S. Collins, the right-hand man of George J. Whelan in the building up of United Cigar Stores Company, has been assigned the task of reorganizing Riker & Hegeman Company's selling methods. The system of the United will be followed out in the drug company. Mr. Whelan has expressed opinion that Collins is one of the best organizers of business in this country today.

Riker & Hegeman Company will probably open about 15 new stores this year. That was the program mapped out under the old management and it meets with approval of the Whelan regime. Present realty conditions do not warrant a greater increase during 1914. The drug company management believes the looked-for change in real estate conditions will permit a greater rate of increase in stores later on, beginning probably next year.

THE MAY DEPARTMENT STORES COMPANY is another organization of this character, capitalized at $5,000,000, 7% cumulative preferred, and $15,000,000 common. The Company owns retail department stores in St. Louis, Denver, Cleveland and other cities, and does a ninety per cent. cash business. Its losses in the past have averaged less than one-tenth of one per cent.

Combined profits of the various companies have been as follows:

1906	$ 712,899
1907	815,060
1908	762,929
1909	927,872
1910	1,271,727
1911	1,440,807
1912	1,449,413
1913	2,195,132

Balance for dividends on the common, year ending January 31, 1912, were 7.33% and in 1913, 11.64%. It is anticipated that 1914 will show larger balance than any previous year and that actual earnings are between 12% and 15% on the common stock.

(*Series to be continued.*)

Random Shots by a Good Marksman

Be fair with your broker. He gives his best advice, but he is guessing, too. If he knew he would not take your business.

A trade that will not pay commissions is not worth trying. You don't want even chances and have the commissions against you. Get the big movements, the trend, and take a position with it. Don't row up stream. You may be quite right and have it go slightly against you. Sometimes there is a thaw, but if it is winter, snow will come some time.

Study your subject well. Charts, averages and former prices will help you; but never depend altogether upon them. Conditions are never always the same, but history will repeat itself, or rather fundamental conditions. Over-expansion, or under-production will readjust themselves just as surely as the monoplane will balance itself.

The old patriarch Joseph stored up corn when it was cheap and plentiful against the days of scarcity. Crops are always an important factor. Try a small trade in them just to keep your interest in reading about them. In time you will become interested in studying the monthly reports. After reading and watching the growth of the crops you will be amused when the crop-killers get busy. They are perennial and are never winter killed. They have summer vacations and annual reunions at the bad spots.

Do your own guessing and thinking and know why you make a trade or stay out. Never buy anything advertised, peddled or sold by a friend. You are then the ultimate buyer and can only sell by doing the same. Before finishing such a deal ask your banker or broker what he will lend you on it.

Don't expect to get rich quickly in speculation, or put your all on one trade, or your eggs in one basket. Accidents will happen, usually just after you are committed.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

By GEORGE C. MOON

IN the February article the relative merits of several low-priced stocks were discussed. The comments are continued in this chapter, the additional stocks selected being:

CENTRAL LEATHER COMMON.

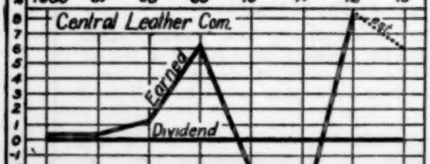
AN initial dividend of 2 per cent. on Central Leather common was paid in February this year. The question of making a distribution on the common was aggressively demanded by holders of large blocks of the stock and as strenuously opposed by the management. The contest lasted for several years and has evidently culminated in a concession to the stockholders. The company is heavily capitalized—the aggregate of the issues of stocks and bonds amounting to nearly $110,000,000, with an annual interest charge of about $2,000,000 and preferred dividends calling for $2,330,000. The latter have been regularly paid since organization.

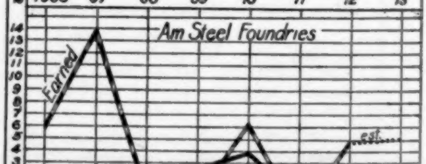
As will be seen by the graphic, earnings have varied greatly—the improvement first shown in 1909 appears perhaps greater than it actually was by reason of the sudden depression of the line of earnings in 1910-11. Earnings show a deficit for both years, but the startling improvement that took place in 1912 brought the line to the highest point in the company's history. The present position of the common stock is not unfavorable, but it is doubtful whether that issue will ever enjoy a stability of earnings which might take the stock out of the speculative class. The company is probably in better shape now to demonstrate its real earning capacity than ever before. According to the management the new tariff changes on leather are not a drawback to the company's prosperity. The developments in the near future should therefore disclose the real character of the common stock. Meanwhile the utmost, marketwise, will be made of the recent turn for the better in the company's affairs.

AMERICAN STEEL FOUNDRIES.

AN adjustment of the capitalization of the American Steel Foundries Company was made in 1908 which resulted in a reduction in the volume of the outstanding stock issues and the merging of the preferred and common stock into one class. A proper comparison of affairs may therefore be confined to the interval which has elapsed since the change went into effect. At no time during that period have the operations shown a large percentage earned on the stock, but, as the graphic shows, there has been a progressive improvement in net earnings in each year following 1911, when a deficit occurred.

Doubtless this increase in the volume of net was accompanied by satisfactory indications of permanence, as the management resumed dividend payments on a modest scale early in 1913. Among the various castings, etc., manufactured by the company are car couplers, brake beams and other car and locomotive ma-



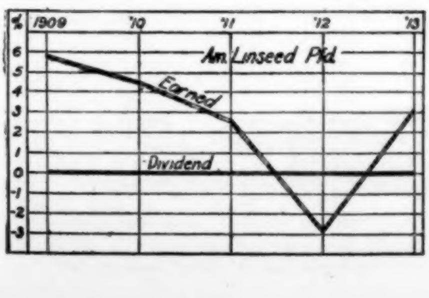


terial for which there is a heavy demand in times when the railroad situation is normal. The ratio of profit has generally been quite regular—the only radical departure therefrom being during the poor year of 1911. While the stock is probably destined to remain in the small dividend class for a considerable time at least, it possesses merit and ought to respond to better general business conditions.

AMERICAN LINSEED PREFERRED.

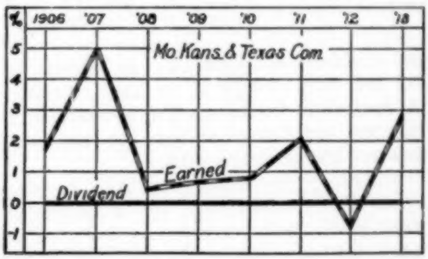
EARNINGS of the American Linseed Company were never published in an official way between the date of the company's incorporation in 1898 and 1908. In 1909 the first statement was made public and hence the graphic starts at that point. Doubtless the results of the earlier years were disappointing for we find that while the company made a few quarterly dividend payments on the preferred stock they ceased abruptly in 1900 and were never resumed. When Standard Oil interests acquired control in 1901 it was expected that the change presaged a better state of things, but nothing of the kind came to pass.

Sufficient light on the status of the company is shown by the graphic, however. It it were practicable to trace the operations back of 1909 it would probably be of no material service for the later results, although not inspiring, enable us to draw a conclusion of the position of the issue. Being non-cumulative the preferred stock has no deferred dividends in arrears. The authorized amount of that stock is $16,750,000, which is all outstanding except a small amount. Ahead of this are only $315,000 of bonds, so that net earnings are not called upon to meet a heavy outlay for fixed charges. For a long time in the past there was a large floating indebtedness, but the more recent balance sheets show that this indebtedness was liquidated. Neither the past history or present status of the preferred stock affords much reason for belief that the future outlook is encouraging.



MISSOURI, KANSAS & TEXAS.

THE graphic of Missouri, Kansas & Texas common shows that whatever its prospects they are ahead with practically nothing in the past history of the road to indicate what that future may be. There is every reason, however, for expecting a good future for the M., K. & T. system. It has performed the work of a pioneer in developing the sparsely settled region which it traverses and has done the work well. Although highly favored in respect to grades and fertility of country served, it has taken a long time to develop the territory and to establish industrial activity along the line.



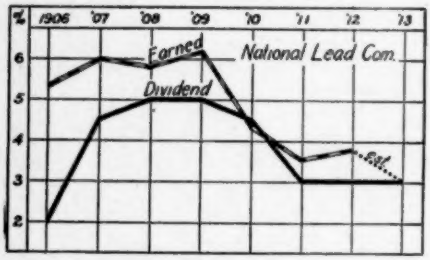
At the beginning the road was clearly "ahead of its time" and to that fact must be attributed the lean earnings on common in the early years. A retrospective view of the earnings shows that almost invariably there has been an increase each year in the volume of gross. Between 1900 and the present time gross has increased nearly 300 per cent. It is true some of this resulted from the road having acquired the Texas Central, but nevertheless it means progress.

When the Panama Canal is opened, M., K. & T. should secure a substantial benefit from it. The location of the road in regard to Gulf terminals makes this quite probable. In the natural order of things it appears to be a safe prediction that the common stock has potential prospects which may be slow in materializing, but appear certain to arise. It is, however, a case where one should

be prepared to await results with patience.

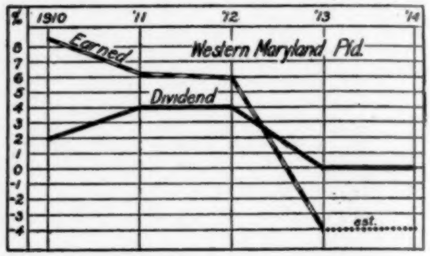
NATIONAL LEAD COMMON.

DIVIDEND payments on National Lead common are shown by the graphic to have run too close to the danger line for comfort. The narrow margin of safety would undoubtedly have deterred a more conservative management from making payments to the extent shown in the diagram. It is not reassuring to see earnings strained to keep



up dividend distributions as appear to be the plan followed in this instance. A favorable feature is the absence of a bonded indebtedness, for the company has no bonds outstanding.

Earnings are shown to have receded from 1909, which was the high record year in the period covered by the graphic, until they are now only one-half of the rate earned in that year on the common stock. In fact the dividend rate paid at the present time, according to the most reliable estimates obtainable, is barely met by the net available from operations. Trade conditions for a long time were decidedly adverse and curtailed profits. It now remains to be demonstrated what effect tariff revision will have upon the company's future. A consensus of opinion inclines to the belief that foreign white lead will become a strong competitor of this company's product and will curtail the monopoly it formerly enjoyed. With an unsolved problem of that kind associated with the security it would appear to be prudent to await further developments in that direction.



WESTERN MARYLAND PREFERRED.

ONE of the stocks that appeared a few years ago to be headed for an interrupted progress to much better things was Western Maryland preferred. Its journey was abruptly checked during extensive additions to its line of railroad. In building an outlet to the New York Central System, Western Maryland found it expedient to conserve its resources by stopping dividend payments. Reduced earnings followed quickly and have since continued poor.

The present company was organized in 1909 and we begin the graphic with the results of the 1910 fiscal year which are seen to be the best of any year since the company was formed. The deficit for 1913 will probably be followed by a similar deficit this year if the estimated earnings for the current year are correct. It would not be surprising, however, if the road should work itself out of its present difficulties. It controls a large acreage of bituminous coal and having the New York Central connection completed the chances of overcoming existing drawbacks are in favor of success.

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). Pref.	Com.
Atch., Top. & S. Fe	Dec.	$2,850,719	—$592,501	$19,813,288*	—$1,534,395	114	194
Atlantic Coast Line‡	Dec.	1,316,545	+11,720	4,122,171*	—169,523	...	67
Baltimore & Ohio	Dec.	2,107,112	—217,367	14,586,781*	—1,437,448	59	152
Boston & Maine	Dec.	608,504	+115,882	5,637,899*	—894,221	3	39
Buff., Rochester & Pittsb.	Dec.	218,671	—15,256	1,863,993*	+126,959	6	10
Canadian Pacific‡	Dec.	4,226,822	—168,898	27,211,437*	+80,285	74	260
Central of Georgia	Dec.	501,634	+110,496	2,161,918*	—26,614	15	5
Central R. R. of N. J.	Dec.	1,276,111	—287,089	6,957,367*	—999,622	None	27
Chesapeake & Ohio	Dec.	915,139	+30,986	6,037,304*	+135,981	...	62
Chicago & Alton‡	Dec.	75,327	+47,624	1,289,516*	—400,644	19	19
Chic., Burl. & Quincy	Dec.	2,760,657	—277,006	19,207,458*	—833,886	None	110
Chic. Gt. Western	Dec.	259,462	—87,171	1,944,981*	—230,934	44	45
Chic., Mil. & St. Paul	Dec.	2,935,534	+39,660	16,977,380*	—2,247,133	116	116
Chic. & Northwestern‡	Dec.	1,900,261	—343,799	13,579,022*	—1,013,169	22	130
Cleve., Cin., Chic. & St. L.	Dec.	537,604	—119,470	4,240,936†	—4,113,558	10	47
Colorado & Southern	Dec.	176,929	—321,714	2,000,657*	—810,727	1st, 8; 2d, 8	31
Delaware & Hudson	Dec.	330,252	—445,742	8,926,272†	+507,559	None	42
Del., Lack. & Western	Dec.	1,397,856	+14,514	8,485,718*	—24,506	None	42
Denver & Rio Grande‡	Dec.	475,114	—123,537	3,678,935*	—427,965	49	38
Erie‡	Dec.	940,981	—121,259	6,985,883*	—1,952,668	1st, 47; 2d, 16	112
Great Northern	Dec.	1,974,543	—1,125,584	20,873,920*	—718,431	209	None
Hocking Valley	Dec.	157,504	—47,057	1,532,981*	—88,608	None	11
Illinois Central‡	Dec.	1,384,756	+59,029	6,486,284*	+486,032	None	109
Kansas City Southern	Dec.	341,102	—1,112	2,097,766*	—72,490	21	30
Lake Erie & Western	Dec.	50,833	—61,379	1,083,163†	—297,101	11	11
Lake Shore & Mich. So.	Dec.	313,361	—1,423,950	15,496,711†	—3,252,261	None	49
Lehigh Valley	Dec.	761,401	—239,109	6,849,635*	—1,132,364	...	60
Long Island‡	Dec.	77,460	+991	2,594,710†	+225,173	None	12
Louisville & Nashville	Dec.	1,303,512	—83,632	8,622,421*	+52,444	None	72
Michigan Central	Dec.	733,934	—146,873	8,698,613†	—1,204,384	None	18
Minn. & St. Louis‡	Dec.	204,951	—14,991	1,337,398*	—152,330	5	15
Minn., St. P. & S. S. Marie‡	Dec.	391,496	—418,846	3,679,580*	—1,531,305	12	25
Mo., Kansas & Texas	Dec.	538,548	—496,452	5,010,618*	—1,297,849	13	63
Missouri Pacific	Dec.	1,368,013	—171,424	8,952,500*	+22,394	None	82
National Rys. of Mexico§	Dec.	122,467	—2,628,485	954,682*	—12,492,905	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	Dec.	1,839,520	—709,652	29,066,693†	+498,944	None	225
N. Y., Chic. & St. Louis	Dec.	292,263	—85,694	2,688,660†	—838,469	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford‡	Dec.	1,543,785	—88,362	11,692,927*	—2,775,006	None	157
N. Y., Ont. & Western‡	Dec.	92,165	—74,538	1,260,276*	—367,011	None	58
Norfolk & Western	Dec.	1,208,697	—160,181	7,696,531*	—466,963	22	103
Northern Pacific	Dec.	2,483,970	—378,629	16,118,976*	—1,142,748	None	248
Pennsylvania R. R.‡	Dec.	2,841,192	+289,939	40,086,764†	—754,346	None	493
Pere Marquette‡	Dec.	100,877	—224,559	884,221*	—1,015,083	12	14
Pittsb., Cin., Chic. & St. L.‡	Dec.	362,823	—405,921	6,072,116†	—4,244,781	27	37
Reading Companies	Dec.	1,682,908	—996,206	9,942,466*	—4,792,841	1st, 28; 2d, 42	70
Rock Island Lines	Dec.	1,553,047	—17,474	9,986,046*	—1,153,889	49	90
Seaboard Air Line‡	Dec.	673,715	+61,540	3,260,020*	+271,636	23	37
St. Louis & San Fran.‡	Nov.	1,102,305	—263,160	6,213,413*	—32,160	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Dec.	312,055	—118,861	1,694,878*	—567,243	19	16
Southern Pacific‡	Dec.	2,872,084	—579,138	23,009,245*	—3,680,419	None	272
Southern Railway	Dec.	2,238,154	+127,511	11,374,819*	—140,296	60	120
Texas & Pacific	Dec.	571,996	+8,008	2,889,218*	+525,940	None	38
Tol., St. L. & Western‡	Dec.	117,285	—25,400	744,498*	+152,588	10	10
Union Pacific‡	Dec.	2,189,048	—443,108	19,672,138*	—2,192,434	99	216
Wabash	Dec.	398,223	—108,806	4,010,840*	—441,936	39	53
Western Maryland	Dec.	79,282	—2,757	725,750*	—188,974	10	49
Wheeling & Lake Erie	Dec.	188,122	+51,068	1,435,770*	—122,313	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

Comparative Earnings of Important Stocks

THE BARGAIN INDICATOR

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

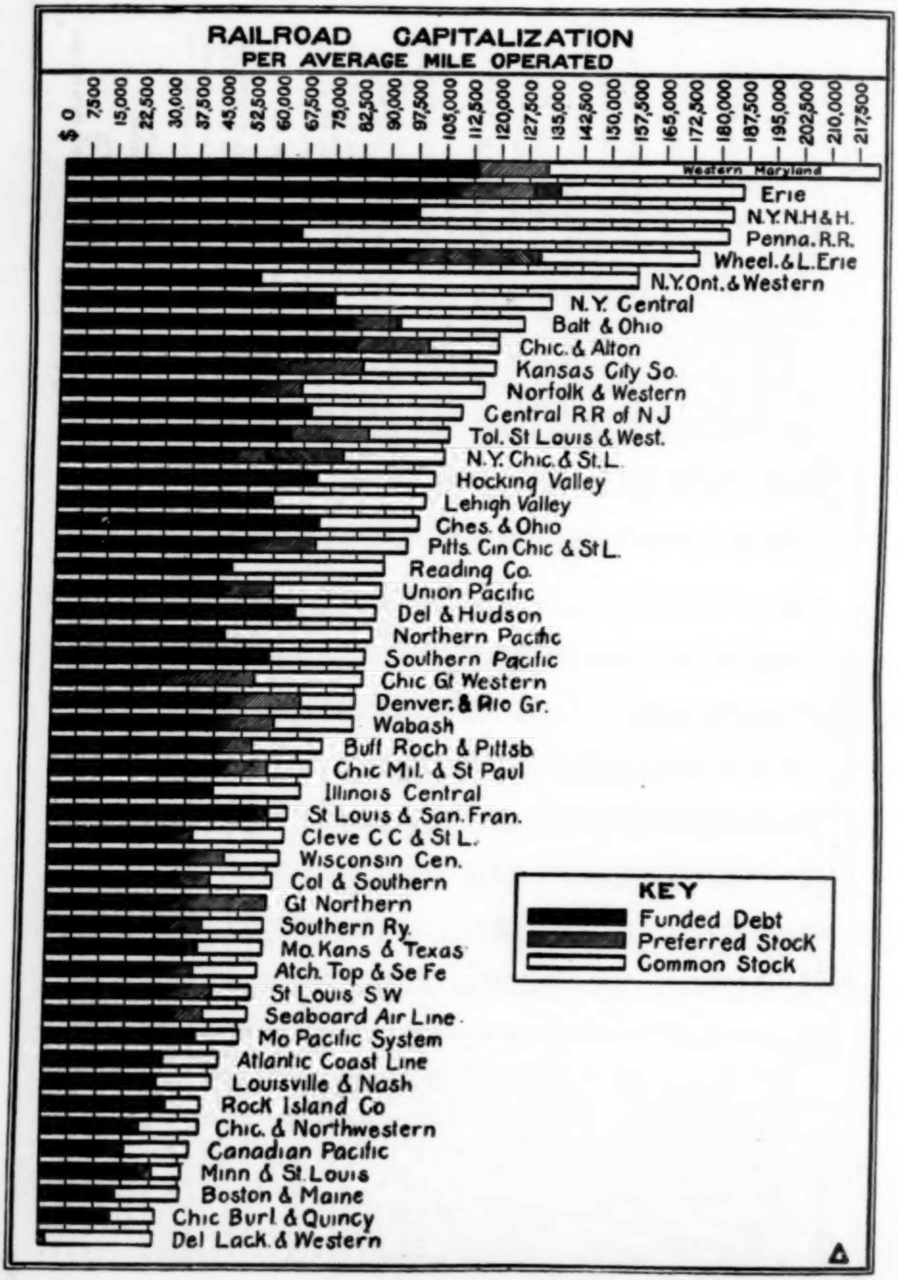
Railroads	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Minneapolis & St. L. pfd..	0	0	7.8	2.7	—2.4	1.9	1.5	—11.9	7.7	35	22.0	
St. Louis S. W. com......	0	0	3.7	—4.2	—2.5	—1.1	1.4	3.8	5.6	26	21.5	Pfd. div. reduced from 5% to 4% basis.
Rock Island Co. pfd......	0	0	....	....	....	1.6	3.8	0.5	1.6	10	16.0	R. I. Co. owns 94% of stock of R. I. Lines.
Denver & Rio Grande pfd.	0	0	9.1	7.7	6.6	8.3	4.7	2.0	4.2	28	15.0	Contr. and finan. W. Pac. wh. earns only ½ fxd. chgs.
Erie com.	0	0	3.0	—3.7	0.3	2.9	2.5	0.7	4.3	30	14.3	
Reading com.	8	4.8	13.0	12.7	13.2	16.1	13.8	12.5	22.7	167	13.6	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Seaboard Air Line Ry. pfd	4	7.4	....	....	....	....	7.6	3.7	7.3	54	13.5	Initial div. Nov., 1913.
Mo., Kansas & Texas com.	0	0	5.0	0.4	0.7	0.8	2.0	—0.8	2.8	21	13.3	
Southern Railway com ..	0	0	—0.6	—2.2	0.5	2.3	3.1	3.1	3.4	27	12.6	
Pitts., C., C. & St. L. com.	5	5.6	8.8	7.2	9.8	6.1	7.0	10.9	....	89	12.2	Pfd. and com. share above 5%. Contr. by Penna.
Twin City Rapid Trans. com.	6	5.6	8.2	8.3	9.9	10.9	11.0	11.3	13.0	107	12.1	
Colorado & Southern com.	1	3.7	4.5	4.8	4.9	7.3	5.2	2.6	3.2	27	11.9	Controlled by C., B. & Q. (Hill management).
Lehigh Valley com........	10	6.6	20.0	19.2	15.4	23.0	16.5	13.2	16.9	151	11.2	
Minn., St. P. & S. S. M. com	7	5.2	9.6	8.4	8.8	15.7	5.3	11.1	14.7	135	10.9	Pfd. and com. share above 7%. Contr. by Can. Pac.
Kansas City Southern com	0	0	5.4	2.6	3.4	2.2	2.7	0.2	2.7	26	10.4	
Southern Pacific com......	6	6.3	12.5	7.4	10.2	13.0	9.6	7.9	9.8	96	10.2	Gov't contesting ownership of Cent. Pac.
Norfolk & Western com....	6	5.8	9.0	7.1	8.7	11.6	8.9	9.9	10.6	104	10.2	Controlled by Penna.
Brooklyn Rapid Transit...	6	6.5	4.4	4.1	4.2	5.6	6.8	8.3	9.2	92	10.0	Subways will doubtless enlarge earnings eventually.
Atchison com.............	6	6.1	15.0	7.7	12.1	8.9	9.3	8.2	9.5	98	9.7	Earn. 1913 on present cap. stock 8.5%.
Atlantic Coast Line.......	7	5.7	6.3	5.6	9.4	12.0	12.8	12.1	12.0	124	9.7	Holds control of Louis. & Nash. by stock ownership.
Lake Erie & Western pfd.	0	0	2.0	—2.0	0.8	—0.2	—0.1	1.8	....	19	9.5	Controlled by Lake Shore.
Union Pacific com........	10	6.2	16.5	16.2	19.1	19.2	16.6	13.8	15.1	162	9.3	Suit pending against extra div.
Louisville & Nashville.....	7	5.2	10.7	7.5	14.3	17.3	14.2	15.9	12.7	136	9.3	Contr. by Atl. Coast. Earn. '13 on pres. stk. 11.6%.
Buff., Roch. & Pitts. com..	6	5.4	8.7	6.2	6.3	7.3	8.0	8.4	10.2	111	9.2	Pfd. and com. share equally above 6%.
Canadian Pacific	10	4.7	13.7	10.6	8.6	16.0	17.3	19.6	19.6	215	9.1	Div 7% R. R.; 3% land sales.
Chicago Gt. Western pfd..	0	0	....	....	....	1.2	1.9	0.4	2.8	31	9.0	
Gt. Northern pfd.........	7	5.4	11.8	7.1	8.3	8.5	8.3	10.3	11.0	129	8.5	Has large equity in C., B. & Q. and Can. extensions.
Wisconsin Central com....	0	0	3.2	—0.6	0	2.5	—4.3	0.3	4.0	48	8.3	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Pennsylvania R. R........	6	5.4	10.7	9.0	11.0	9.3	8.6	9.3	....	112	8.3	Divs. pd. since 1856.
Delaware & Hudson......	9	5.8	15.2	12.4	12.2	12.5	12.3	13.0	....	156	8.3	
Del., Lack. & Western....	20	5.0	38.5	40.8	52.8	35.4	31.8	33.2	....	398	8.3	
Chic., Mil. & St. Paul com	5	4.9	10.5	9.5	7.2	8.0	7.1	1.6	8.6	103	8.3	1913 earnings include Puget Sound.
Chesapeake & Ohio.......	4	6.3	5.4	4.4	6.4	10.0	5.1	6.8	5.2	64	8.1	1912 and 1913 include Chicago line.
Baltimore & Ohio.........	6	6.5	9.9	5.1	7.1	8.9	6.9	7.6	7.2	92	7.8	
Northern Pacific com.....	7	6.0	15.1	12.8	10.7	9.0	8.2	7.9	8.7	116	7.5	Large equities in lands and C., B. & Q.
N. Y., Ont. & Western....	2	7.1	2.8	2.6	2.3	2.3	2.0	0.8	2.1	28	7.5	
Missouri Pacific	0	0	9.9	3.7	1.3	3.3	—6.3	—2.4	1.9	26	7.3	
N. Y., N. H. & Hartford..	0	0	9.2	5.4	7.4	10.3	7.1	8.5	5.0	69	7.2	Div. recently passed.
Chicago & Northw'n com..	7	5.2	12.7	11.2	11.4	7.7	8.0	7.1	9.6	135	7.1	Pfd. and com. share above 7%.
N. Y. Cent. & Hud. River	5	5.6	6.2	5.1	7.7	6.4	5.7	6.2	....	90	6.9	Controls 1/7 Rdg. through Lake Shore.
Illinois Central	5	4.5	....	8.4	7.4	7.1	10.3	3.2	6.0	111	5.4	Div. recently reduced from 7%.
Toledo, St. L. & W. pfd..	0	0	6.4	0.2	1.0	2.0	—0.6	—0.5	0.6	22	2.7	Earns. given exclude divs. on Alton, now discontinued.
Western Maryland pfd....	0	0	....	....	....	8.6	6.2	6.0	—4.1	55	0	Connection with N. Y. Cent. completed.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 1st pfd.	0	0	12.3	—3.4	6.1	12.1	11.2	7.0	15.3	47	32.6	Entitled to 4%.
St. Louis S. W. pfd.	4	6.4	7.9	1.6	2.9	4.1	6.1	8.2	9.4	63	14.9	Div. recently reduced from 5%.

Industrials

	Present div. rate	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Am. Locomotive com.	0	0	18.1	11.1	—3.1	1.3	7.3	0.5	17.7	34	52.1	Mfr. of autos discontinued.
General Motors com.	0	0	....	....	....	....	15.7	17.3	38.3	75	51.7	1911 earnings 10 mos. only.
Central Leather com.	2	5.9	0.4	1.3	6.3	—2.1	—5.1	8.6	....	34	25.3	1st 9 mos., 1913, 3.4%.
Am. Steel Foundries.	2	5.4	14.0	0.3	0.1	6.1	—1.5	4.6	7.5	37	20.3	1911 earns. are 17 mos.
Railway Steel Spring com.	2	6.3	8.6	—1.3	5.3	6.0	0.3	5.8	....	32	18.1	
U. S. Realty & Improve.	5	9.3	6.0	7.7	9.2	9.7	9.4	8.3	9.2	54	17.0	Controls Geo. A. Fuller Construction Co.
U. S. Steel com.	5	7.6	15.7	4.0	10.5	12.3	5.9	5.7	11.1	66	16.8	U. S. Govt. suit pending.
Bethlehem Steel pfd.	5	6.4	10.8	2.4	5.3	13.4	13.6	13.1	....	78	16.8	
Repub. Iron & Steel pfd.	7	7.8	18.6	9.8	8.1	11.7	9.7	5.1	14.9	90	16.6	Arrears 5¼%.
Am. Beet Sugar com.	0	0	1.0	4.2	7.0	7.3	10.9	13.5	3.9	24	16.3	Affected by tariff reduction.
Am. Hide & Leather pfd.	0	0	2.2	—0.1	11.2	—5.6	0.8	3.2	3.6	23	15.7	
Am. Smelting & Ref. com.	4	5.9	12.8	7.0	7.7	7.1	9.1	10.1	....	68	14.9	Smelting and Smelters Sec. now consolidated.
U. S. Rubber com.	6	10.0	4.4	0.2	4.0	7.8	2.2	6.3	8.7	60	14.5	1913 figured on present cap. stock.
Inter. Harvester com.	5	4.6	6.5	7.8	17.8	14.8	14.2	15.2	....	108	14.1	Govt. suit pending.
Colo. Fuel & Iron com.	0	0	0.9	0.4	2.1	4.0	3.2	4.8	4.6	33	13.9	Pfd. in arrears about 40%.
Inter. Paper pfd.	2	5.1	7.2	7.3	2.7	4.5	5.3	5.4	....	39	13.8	6% cum. div. in arrears 23%.
Tennessee Copper (par $25)	12	8.3	16.0	6.5	6.8	8.9	8.1	17.9	....	$36	12.4	Income partly from sulphuric acid.
American Woolen com.	0	0	—3.3	—3.9	5.2	2.2	2.1	2.1	....	17	12.4	Affected by new tariff.
Westinghouse Electric com	4	5.6	....	....	....	7.6	12.3	6.2	8.2	71	11.5	Large interest in 3 foreign Westinghouse Cos.
American Can pfd.	7	7.5	6.4	6.6	6.7	6.8	7.1	14.2	10.7	93	11.5	Arrears 8¾%.
Sears Roebuck com.	7	3.8	8.5	4.5	18.4	20.5	17.0	19.3	21.2	187	11.3	In 1911 p'd a 33⅓% stock div.
General Electric	8	5.3	11.6	10.2	7.4	16.7	14.5	16.2	....	149	10.9	Jan., 1913, 30% stock div.
North American	5	7.1	4.7	4.8	6.0	6.2	6.2	7.2	....	70	10.3	Controls Street Ry. & Elec. Light Cos.
American Linseed pfd.	0	0	....	....	5.8	4.5	2.6	—2.8	3.0	30	10.0	
U. S. Cast Iron Pipe pfd.	4	8.3	14.7	5.4	1.2	4.4	3.9	4.2	4.7	48	9.8	Controls 75% of U. S. production.
Utah Copper (par $10)	30	5.5	5.9	23.3	29.5	34.6	39.7	53.5	....	$55	9.7	Earned 9 mos., '13, 38%.
Corn Products pfd.	5	7.1	7.2	8.5	8.2	6.9	7.0	6.8	....	70	9.7	Divs. in arrears. Earned 10 mos. to Dec., 1912, 5.7%.
Am. Agri. Chemical com.	4	7.3	6.2	6.1	7.5	10.4	9.1	7.3	5.2	55	9.5	
Am. Malt Corp. pfd.	4	7.8	—4.0	10.6	6.2	3.0	8.8	9.3	4.6	51	9.0	Divs. in arrears 21%.
Union Bag & Paper pfd.	0	0	7.0	7.4	6.2	5.4	5.5	5.3	2.6	31	8.4	In arrears on 7% cum. div. Fisc. yr. ends Jan. 31.
Amalgamated Copper	6	7.9	9.2	4.3	2.4	3.9	3.9	4.3	6.4	76	8.4	1913 based on 8 mos. earns. of 4.3%.
Pittsburgh Coal pfd.	5	5.5	10.0	1.7	3.0	7.2	5.1	7.5	....	91	8.2	Divs. in arrears 40%. 6 mos. to June 30, earned 4.2%.
Am. Sugar Refining com.	7	6.5	12.4	7.5	3.9	3.8	9.6	8.7	....	107	8.1	Affected by tariff. Much litigation pending.
Am. Car & Foundry com.	2	3.9	20.1	23.8	2.6	6.6	7.1	2.5	4.1	52	7.9	$600,000 set aside for com. divs. equals 2% on stock.
Am. Telep. & Teleg.	8	6.6	9.0	10.1	9.0	10.4	10.0	9.3	....	121	7.7	Large equities. 1st 9 mos. 1913 earned 7.1%.
National Lead com.	3	5.9	6.0	5.8	6.2	4.3	3.6	3.8	....	51	7.5	
Pacific Coast com.	6	6.7	10.3	5.7	5.3	8.8	7.2	6.2	6.6	89	7.4	Com. and 2d pfd. share equally above 4%.
Am. Cotton Oil com.	0	0	8.7	3.2	10.4	6.8	—1.2	6.5	3.4	46	7.4	Controls 17 sub-companies.
National Biscuit com.	7	5.2	7.6	8.1	7.4	7.7	9.8	10.0	9.6	135	7.1	Fisc. yr. ends Jan. 31, 1914, 11.3%.
General Chemical com.	6	3.5	5.7	4.5	14.4	15.6	15.5	11.5	....	170	6.8	5% stock div. 1912. 9 mos. 1913 earned 10.1%.
Ray Con. Copper (par $10)	15	7.5	....	....	....	....	2.1	13.3	....	$20	6.7	Earnings 9 mos., 1913, 14.3%.
Distillers' Securities	0	0	7.8	1.5	2.2	2.3	3.1	1.5	1.2	19	6.3	Holds maj. U. S. Ind. Alcohol.
People's Gas Light & Coke	8	6.6	7.6	8.4	8.9	9.0	8.9	7.5	7.5	122	6.1	
Pullman	8	5.2	11.6	9.8	10.9	11.6	9.3	8.7	9.3	155	6.0	
Chino Copper (par $5)	60	7.1	....	....	....	....	....	50.6	....	$42	6.0	Earnings 9 mos., 1913, 58.6%.
Consolidated Gas (N. Y.)	6	4.4	3.9	4.9	6.7	7.4	7.6	7.5	7.2	135	5.3	Sub-cos. have large undistributed surpluses.
Western Union	3	4.6	5.0	1.7	5.8	5.7	5.4	4.0	3.1	65	4.8	Am. Tel. & Tel. has relinquished control.
Sloss-Sheffield com.	0	0	9.9	4.9	6.6	2.0	—0.6	0.8	....	34	2.4	
Pressed Steel Car com.	3	6.7	13.3	—5.8	7.7	5.5	0.1	0.8	....	45	1.8	Recently declared ¾% quarterly.
Va.-Carolina Chem. com.	0	0	5.9	3.7	7.1	10.4	3.1	3.3	0.5	30	1.7	Owns Southern Cotton Oil Co.
Pacific Mail	0	0	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	26	0.4	Contr. by So. Pac. Panama Canal should incr. earngs.
Nat. Enam. & Stamp. com.	0	0	6.7	—2.1	1.1	1.0	1.1	—1.6	....	13	0	1912 earnings 18 mos.


RAILROAD CAPITALIZATION
PER AVERAGE MILE OPERATED
$ 0
7,500
15,000
22,500
30,000
37,500
45,000
52,500
60,000
67,500
75,000
82,500
90,000
97,500
105,000
112,500
120,000
127,500
135,000
142,500
150,000
157,500
165,000
172,500
180,000
187,500
195,000
202,500
210,000
217,500
Western Maryland
Erie
N.Y.N.H.&H.
Penna. R.R.
Wheel. & L. Erie
N.Y. Ont. & Western
N.Y. Central
Balt & Ohio
Chic. & Alton
Kansas City So.
Norfolk & Western
Central R R of N J
Tol. St Louis & West.
N.Y. Chic. & St. L.
Hocking Valley
Lehigh Valley
Ches. & Ohio
Pitts. Cin Chic & St L.
Reading Co.
Union Pacific
Del & Hudson
Northern Pacific
Southern Pacific
Chic Gt Western
Denver & Rio Gr.
Wabash
Buff Roch & Pittsb.
Chic Mil. & St Paul
Illinois Central
St Louis & San. Fran.
Cleve C C & St L.
Wisconsin Cen.
Col & Southern
Gt Northern
Southern Ry.
Mo. Kans & Texas
Atch. Top & Se Fe
St Louis S W
Seaboard Air Line
Mo Pacific System
Atlantic Coast Line
Louisville & Nash
Rock Island Co
Chic. & Northwestern
Canadian Pacific
Minn & St. Louis
Boston & Maine
Chic Burl. & Quincy
Del Lack. & Western
KEY
Funded Debt
Preferred Stock
Common Stock

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

Allis-Chalmers. — CO. USING IDLE FUNDS in purchasing marketable securities, of which since Sept. 30 $1,500,000 has been taken over, which with prev. purchases makes a total investment to date of nearly $2,300,000 in securities of various Co.s. These purchases have been made lower than prices now prevailing and already show the Co. a good profit. So far as the Co.'s business is concerned there has been no change for the better and orders continue small with no indication of a revival in demand for its product.

Am. Agricultural Chemical.—CO. HAS SOLD $7,000,000 10 yr. 5% convertible gold notes, subject to the approval of stockholders. Bonds will be convertible into common stock at any time par for par. The Directors of the Co. have from time to time discussed the subject of reincorporating under the laws of Mass., under which plan the Co. could throw $45,000,000 of pfd. and com. stocks into a tax exempt market. From a standpoint of financing, a Mass. incorporation would be a splendid thing for the Co. It is understood that the block of about 8,000 shares of pfd. recently purchased to clean out an old syndicate account has been practically all marketed. It is generally conceded that the Co. has done the wise thing in deciding to finance the growth of the last 2 yrs. through the issuance of 5% bonds. Co. has sold no new securities for nearly 2 yrs., and in bonds for 5 yrs., yet in this interval plant capacity has been increased about 20%, with the result that at the end of 1913 fiscal yr., June 30, Co. was carrying a floating debt of $4,825,000, which has naturally expanded in the 7 mos. since. This floating debt will now be entirely eliminated, and Co. will have a working capital of $31,000,000 or slightly better, compared with net quick assets of $24,642,000, as of June 30 last. This is one of the largest totals of working capital of any American corporation.

American Brass.—ANNUAL REPORT of this, the largest consumer of copper in the world, closed its second yr. as an actual operating Co. with net profits for 1913 of $1,917,605. This compares with $2,274,738 in prev. yr., a decrease of $357,133, or 15%, but in this connection it is to be stated that the profits for 1912 broke all prev. high records, with a gain of $829,196, or 36.5%. Net divisible earnings in the yr. ended Dec. 31 last was equal to 12.7% on the $15,000,000 capital outstanding and compare with 15.1% in prev. yr.

American Can.—CO. EARNED a fair surplus over its charges and pfd. div., but did not come up to expectations. Co. is in strong cash position. Balance sheet shows an increase in cash of over $700,000 compared with 1912. Over $2,500,000 was spent in new construction and $500,000 was written off for plant acct. Working capital at end of 1913 was $15,800,370, compared with $13,417,760 at end of 1912. Altho the increase may be due to surplus cash over back divs. in sale of the bonds. The steady increase in working capital from yr. to yr. is one of the strongest points. Cash acct. stood at end of last yr. at $4,863,925, or the greatest since organization. Several new products have been put on the market in the past yr., the most successful and profitable being the adding machines, which are being sold faster than they can be turned out.

American Ice.—RECENT STRENGTH in Co.'s securities is in part a belated recognition of the highly satisfactory record which the Co. established in its yr. to Oct. 31. In that period there was earned slightly over 11% on $14,920,000 pfd. stock, and it is the expectation that this record can be duplicated this yr. There is naturally some revival of div. talk, but it is still the conservative opinion that the board will persist in its policy of property improvement out of earnings for some time to come.

American Light & Traction.—ANNUAL REPORT for yr. ended Dec. 31 shows gross earnings of $4,466,233, as compared with $4,256,860 for 1912, and net earnings of $4,343,126, compared with $4,139,203 for prev. yr. After deducting from net earnings pfd. divs. of $854,172, the balance is $3,488,954, which is equal to 25.08% earned on the com. stock, compared with 26.05% earned the prev. yr.

American Locomotive. — CO. IS EXPERIENCING drastic let-up in manufacturing activity. There have been yrs. during which percentage of operation has declined from 100% to 12%. 1908 was such a yr. 1910, for example, started with 25%

operation and rose to 100%. This yr. has seen a gradual falling off in unfilled orders. Today's operations are hardly 20% of full, but there is business enough ahead to keep going, as plants are now running for 5 or 6 wks. longer. Equipment buying by the railroads has for 3 yrs. or more been restricted by inability to finance and by the pendency of the 5% rate case.

American Pneumatic. — NET FOR EIGHT MONTHS to Nov. 30 was about 7% ahead of last yr., making 4½% on 2d pfd. stock. Co. continues in excellent cash position, having funds on hand at the moment of close to $600,000.

American Public Utilities.—EARNINGS FOR YR. ended Nov. 30, 1913, showed a balance of $217,637 for its $2,995,000 common stock after all charges and divs. on the $3,914,000 6% pfd. stock. This balance was equivalent to 7.28% on the outstanding common stock, on which quarterly divs. of ¾ of 1% are now being paid.

American Smelting & Refining.—CO.'S FOUR SMELTERS have been closed down; with 3 smelters running the Co. would be operating at about 65% of its Mexican capacity. The Constitutionalists are busy repairing the railroad lines north of Torreon and unless further disturbances occur Smelters should be able to start its furnaces at Velardena and Chihuahua within 30 days. One important copper mining camp in Mexico has been captured by rebels. The plant of Amer. Smelt. Co. is situated in the town which has a population of 15,000. It was captured by strategy. The Chihuahau smelter has begun, and within the next few days the large smelting plant will resume operations, which means a large income to the Constitutionalists in taxes and export duties. This smelter employs about 5,000 men.

American Steel Foundry.—EARNINGS. Co. earned 7% on stock in 1913, despite a poor Dec. quarter, bonded debt being cut down, with $1,000,000 cash on hand. Net profits for the $17,184,000 stock, or 7%, compare with but 2% paid in divs., so that even if the Co. does no better in 1914 than in the 2 prev. yrs., it will have had the benefit during these last 3 yrs. of $2,500,000 to devote to depreciation or betterment of property.

American Sugar. — ACCORDING TO 1912 balance sheet net working capital was nearly $41,000,000, of which $28,000,000 was in cash, equivalent to $90 per share on pfd., leaving its 6 refineries $23,000,000 outside investments and $8,000,000 fire insurance funds as assets for the $45,000,000 common stock. Co. now controls but 33% of the refining capacity of the country, as against 70% at time of organization. Evidently common stockholders have nothing to fear from a dissolution of the Co. Wall St. hears that officials made 3 separate concessions to the Department of Justice and that on the demand for a fourth concession negotiations were abruptly broken off and decision made to fight the case in court. It will probably take 3 yrs. at the earliest before the Supreme Court can render a final decision.

American Telephone & Telegraph.—THE CALIFORNIA RAILROAD COMMISSION handed down a decision affecting the 4½% of gross allowance charge which the Bell Tel. subsidiaries pay to the parent Co., which, however, affects merely one city in Calif. and declares that so far as that city is concerned the 4½% rate shall be cut to 2½%. The decrease in revenue, therefore, will be less than $5,000. It means, in short, that the whole work of supervising and directing engineering plans for telephone construction is paid for by the parent Co. and the subsidiaries have free access to the use of all Bell patents and experimental work without additional compensation. From the financial standpoint it makes little difference how this 4½% of gross charge is applied. It is merely a case of taking it out of one pocket and putting it in the other.

American Tobacco.—EARNINGS FOR YR. ended Dec. 31, it is understood, will show about 27% for the common stock. Sales in Dec. are understood to have shown an increase of over $900,000.

American Writing Paper. — ANNUAL REPORT of Co. for yr. ended Dec. 31 shows a deficit of $353,995, against a surplus of $95,647 in 1912 and $13,759 in 1911. 1913 proved to be a particularly unfortunate yr. for this Co. Notwithstanding general depression in business, the increased cost of raw material, particularly rags, was largely maintained, but no corresponding increase in the price of paper occurred. The selling prices of nearly all grades of paper still remain much lower than they should be to give a fair return on capital invested. Plants have been kept up to their usual standard. Trustees purchased during yr. $228,000 in bonds at cost of $191,562. There are in the sinking fund and treasury $3,701,000 bonds of the Co.

Assets Realization. — WITH THE FUNDS expected from old interests, which it is expected will amount to $1,000,000, Co. may complete the Bitter Root irrigation project and net a handsome profit. $3,000,000 has already been spent on the Bitter Root Co., which owns practically all of the $2,000,000 stock of the Bitter Root Co. Considering the market for low grade securities unlikely to improve, the Committee might at any time have taken possession of the assets of the Co. and sold them for what they would bring. These assets have a value of $16,000,000, according to Co.'s estimate, but being scattered all over the country, it takes time for the bankers to secure an estimate of their worth from their own men. The work of appraisal has been in progress since the creditor's committee took charge.

Atchison.—CO. EARNED about 3½% on its $194,531,000 outstanding common stock, compared with 5.6% in the 1st half of its 1913 yr. There is, however, some $24,000,000 more stock outstanding now than there was a yr. ago, owing to the conversion of bonds. During the 1913 yr. there was a total of $20,707,000 convertible bonds turned into stock. Co. has been afflicted with the general increase in operating expenses which has fallen upon all the railroads, but has met with declining earnings with reductions in expense of maintenance. A factor which should, however, improve Atchison's outlook in a few mos. is the citrus fruit crop in Calif., which is very much larger than a yr. ago, when it was only ⅓ of a normal crop.

Atlantic Coast Line.—REDUCTION OF STOCK of the Coast Line of Connecticut ½, by distribution from assets to stockholders, will amount to $8,820,000, in exchange for which may be delivered to stockholders $17,640,000 of stock of Atlantic Coast Line R.R. Co. This means that control of Atlantic Coast Line R.R. Co. ceases to be vested in the corporation but has now come into hands of individual stockholders of the latter Co. While ownership of over 51% of the Coast Line Co. of Conn. may not actually rest with Mr. Walters, it is safe to say that the latter, with one or two associates, does control the Co. The same interests control, but as individuals, not by means of a corporation.

American Hide & Leather.—QUARTERLY REPORT shows net earnings of $312,027, and while it is $100,000 less than the corresponding quarter of 1912, it is $120,000 better than the preceding quarter. The average surplus of divs. has been at the rate of 2¾% on the pfd. stock per annum and for the 1st 6 mos. of the current yr. the surplus divs. has been 1.34% on the pfd. stock or the same as was earned in the last June quarter. The working capital on Dec. 31st was $9,335,271 and the par value of bonds outstanding in the hands of the public $5,415,000, or a surplus of net quick assets over par value of bonds of $3,920,271, or 72%.

Atlantic, Gulf & West Indies.—THE PROSPECTS FOR FISCAL YR. to Dec. 31 will show gross earnings of perhaps $100,000 less than $20,000,000, while net profits of the subsidiary system should easily cross $1,600,000 mark. This is a new high record of profits. It records an expansion of at least 70% over 1912 balance and means in substance that Co. from subsidiary operations has earned the interest on its $12,500,000 5% bonds 2½ times over. Assuming that the parent Co. "other income" equals that of 1912, the actual profits for the bonds will be over $1,800,000, or almost 3 times the interest charge.

Baltimore & Ohio.—THE DISTRIBUTION OF B. & O. to Un. Pac. stockholders is admittedly not favorable to B. & O. The amount of B. & O. common to be distributed is $48,745,000. This is nearly ⅓ of the total amount of B. & O. common stock, of which there is $152,317,000. It is nearly ½ of the amount of B. & O. common hitherto outstanding in public ownership. A distribution is undoubtedly better from that standpoint than an enforced sale to the public would be. This distribution, moreover, eliminates R. R. ownership of these shares and thus removes a factor that has been recognized as influencing the market for B. & O. stock, since the failure of Penn. and U. P. to participate in the offering a yr. ago of B. & O. convertible bonds. Co.'s loss of $392,172 in gross earnings in Dec. compared with loss of more than $1,000,000 in Nov., the mo. of the blizzard in Ohio and West Va. The loss was reduced to $217,367 in net before taxes or outside operations were taken up, by reduction of $83,801 in maintenance of way and reduction of $241,284 in maintenance of equipment. Transportation expenses increased $111,972, despite shrinkage in traffic.

Bethlehem Steel. — CO. DECLARED DIV. of 5% on pfd. stock for 1914 out of earnings in 1913, which div. will be payable in quarterly instalments of 1¼%. A similar div. was declared a yr. ago.

Boston & Albany.—DURING 1913 Co. continued to expand its traffic. Its gross business reached a new high record, being $829,115, or rather more than 5% above the preceding yr., but after all charges a deficit of $520,718 was realized, as compared with $71,602 surplus in 1912 and $657,181 deficit in 1911.

Boston & Maine.—NET EARNINGS so far this yr. do not compare so badly with those of prev. yrs., except only those of 1912. It will be seen that net earnings are less than $300,000 under those of 1911 and 1910. The main cause for the Co.'s present condition must be sought elsewhere. It is largely to be found in the heavy increase in fixed charges that has taken place in the last 3 yrs. Fixed charges have increased $2,000,000 in the 3 yrs. time, of which hire of equipment is responsible for $1,000,000 and the interest payments for approx. $750,000. While no official announcement has yet been made regarding extension by holders of the $10,000,000 5% one yr. notes due Feb. 3, it is understood that holders of more than ¾ of this issue have already agreed to renew the notes for 4 mos. to June 2 at 6¾% int.

Brooklyn Rapid Transit.—GROSS RECEIPTS for the 1st 10 days of this mo. made a gain at about the rate of $1,700 daily. For the 7 mos. to Feb. 1 income has grown at the rate of between $550,000 and $600,000 per annum, which is modest in contrast with the 1913 expansion of $930,000. This Co. is saving a considerable percentage of new gross for net. It is expected that practically all convertibles will be exchanged into stocks before privilege

expires July 1 next. Until 1913 practically none of these bonds had been converted, but the increase in div. rate from 4 to 5% and then to 6% during the last quarter of the 1913 fiscal yr., stimulated the first outburst of conversion, with the result that as of June 30 last $4,177,000 of the bonds had been exchanged into stock. The conversion of $33,000,000 of these bonds into an equal amount of stock will increase the amount required for divs. by $660,000 per annum and would probably bring the balance for the shares down from a fraction above 9% to 7% for the yr. to June 30 next.

California Petroleum.—IT IS PROBABLE that the report for the 1913 yr. will show the 7% pfd. div. on $12,000,000 stock earned with a balance of $100,000, or less than 1% for the $13,500,000 common. The great disappointment in the Co.'s situation is water damage of serious proportions.

Canadian Pacific.—NEW STOCK ISSUE of $75,000,000 is reported to be under consideration. Immediate requirements are provided for, but it is policy of Co. to make arrangements well in advance. Gross earnings since July have not shown as large gains as in prev. yrs. 6 mos. ended Dec. 31 increase in gross was $1,461,000, against $11,000,000 in 1912 and $7,000,000 in 1911. Grand Trunk Pacific and Canadian Northern are now becoming active competitors and are able to ship to all points of the Dominion except a small section in the western mountains.

Central Leather. — EARNINGS FOR 1913 were about 6% on the common, against 8.6% in 1912, and a big deficit in 1911. During the past 3 yrs. Co. has instituted important operating economies.

Chicago & Alton.—LAST FISCAL YR. under Pres. Worthington, the road spent lavishly for upkeep. With gain of 4.95% in gross revenues, the operating expenses increased 17.95%. With the lavish and at the same time forced use of revenue for physical upkeep it was impossible for the road to make any sort of showing for net. That this would be so was understood by those who control the property when Mr. Worthington took hold. The new Pres., W. G. Bierd, says: "So far as I know, Newman Erb does not own a dollar of Alton stock. Report that Alton has been reorganized or radical changes have been effected in its control is without foundation. Un. Pac. controls and has controlled it for a number of yrs."

Chicago & North Western. — CO. IS EARNING at rate of between 9.50% and 9.75% for its $130,117,104 of common stock this yr. With single exception of Great Nor., Nor. West. is in a better position regarding gross and net earnings than those other roads with which it is geographically grouped. At present rate of earnings, making allowance for seasonal changes in traffic during winter mos., it is estimated that the operating income this yr. will total $20,250,000 and other income an additional $3,460,000. Charges will amount to about $10,260,000 and setting aside roughly $200,000 for sinking fund purposes, amount available for pfd. and com. div. should be in excess of $13,000,000. Divs. of 8% on $22,395,120 of pfd. stock will require $1,791,600 and com. divs. of 7% $9,108,000, leaving surplus of about $2,300,000, as against $3,775,000 last yr.

Chesapeake & Ohio.—EARNINGS current fiscal yr. expected to be about 6¼% on common stock. Gain for several mos. was $786,000. There has been some loss of grain shipments from Chicago to Newport News, but officials are very optimistic over the coal outlook. Co. is now receiving 2,000 75-ton coal cars and has ordered 2,000 additional 57-ton coal cars. Hocking Valley is receiving 1,000 57-ton coal cars and has authorized 1,000 more. Total of new shipment on both roads is equivalent to 7,000 50-ton cars. This equipment is to take care of anticipated increase in Co.'s coal business.

Chic., Mil. & St. Paul.—SIX MOS. ENDED DEC. 31, the 1st half of fiscal yr., Co. exceeded div. requirements by about $1,660,000. In this estimate "other income" is not reckoned. Adding that item would probably raise the margin another $1,000,000. The Co. seems comfortably settled in the ranks of 5% div. payers, and there are no indications that the near future will see the com. stock back on the old basis.

Chicago Pneumatic Tool. — CO. ESCAPED THE DEPRESSION in trade during the latter part of 1913, from which most of the industrials suffered. Co.'s net profits were $1,171,245, equivalent to 15.51% for the stock, compared to 12.91% last yr. The total surplus, after making a liberal allowance for depreciation, is $2,249,104, an increase of $242,000 for the yr. Recent activity is based on rumors that div. will be increased to 5% this spring.

Cities Service.—EARNINGS on common stock in 1913 were 10.7% on $15,718,000 outstanding, against 9.3% in 1912. Div. on common was recently increased to 6% yrly.

Consolidated Gas.—EARNINGS FOR 1913 were not fully shown by report as presented to stockholders, but they may be approximated as about 15.8%, against 14.9% in 1912. The gain was due to 10% increase in business and a still larger gain in surplus of N. Y. Edison Co. and other subco.'s. During yr. gas and electric Co.s added to reserves more than $4,500,000. Earnings after full renewal and contingency reserve equalled about 11.3%, against 10.7% in 1912. Only 6% was paid in divs. and the balance expended in additions and betterments.

Continental Can.—CO. REPORTS for the period Dec. 1, 1912, to Dec. 31, 1913, net earnings of $788,016; after deducting pfd.

divs. of $397,688, there was left a surplus of $390,328. Pres. Cranwell says: "It is necessary to carry large stocks of raw materials and of finished products throughout the yr., and as there has been a heavy decline in market values of these items we are carrying considerable inventory. The marking down of value of these items to the present low level of values entails writing off $132,000 of your Co.'s earnings. There has also been written off $50,000 in 'other investment items,' caused by the reorganization of a concern in which Co. has an interest. A larger volume of business is indicated by the number of orders now entered on the books."

Corn Products.—EARNINGS FOR 1913 are expected to be about the same as for 1912—5.7% on pfd. stock. Expected that hearings in government suit against Co. will begin before long.

Crex Carpet.—ANNUAL REPORT for 1913 showed 10.1% for stock, against 11.8% last yr. Pres. Robinson says outlook for coming yr. is very good. Co.'s property has been appraised during last yr. and accounts adjusted accordingly.

Delaware & Hudson.—EARNINGS FOR 1913 showed a gain over 1912 of about 6% in net after taxes. Annual report is expected early in April.

Denver & Rio Grande.—EARNINGS, current fiscal yr., will probably be about 3% on pfd. stock, but as Western Pacific's earnings are about $1,500,000 less than int. on its 5% bonds, guaranteed by D. & R. G., payment of this deficit will leave Co. just about meeting its fixed charges.

Detroit United.—EARNINGS IN 1913 were 12.2% on stock, against 11.6% in 1912. Divs. were at rate of 6%, against 5% in 1912. The new policy of 7-tickets-for-quarter reduced earnings somewhat in last half of yr. Officials do not consider that the lower fare caused any increase in traffic.

Distillers Securities.—REDUCED SALARIES by new management will save Co. at least $100,000 during current yr., and various operating economies will strengthen finances. U. S. Industrial Alcohol, sub-Co. of Distillers, is pushing its Pyro Alcohol for decarbonizing cylinders of automobile and other gasoline engines. It is stated that the alcohol does not damage any part of the engine. Numerous tests have been satisfactory.

Erie.—BLANKET MORTGAGE, originally planned at $500,000,000, is now placed at $300,000,000, which would provide for retirement of Co.'s present $233,000,000 of funded obligations at maturity and leave $67,000,000 bonds available for improvements. Some plan is necessary to take care of $12,500,000 6% notes maturing April 8. Net earnings declined nearly $2,000,000 in last half of 1913, but Co. will probably close present fiscal yr. with over $5,000,000 surplus.

Ford Motor.—OUTPUT OF CARS, last quarter of 1913, was 15,700 more than in 1912 and Jan. output was 20,000 cars.

General Chemical.—ANNUAL REPORT FOR 1913 shows 19.2% earned on common, before charging off $601,000 to reduction of plant and investments account, profit sharing distribution, and reserve for U. S. corporation tax. It is the Co.'s custom to issue its annual income statement in this form, showing earnings before deduction of these reserves. Total surplus was $6,124,000, against $5,764,000 in 1912.

General Electric. — EARNINGS FOR 1913 will undoubtedly be shown by annual report between 14% and 16% on stock. Co. carried over into 1914 a smaller volume of orders than for 2 prev. yrs. Since Jan. 1 Co.'s sales have been about 85% of last yr.'s rate.

General Motors.—EARNINGS IN 1914 may duplicate the remarkable showing of last yr., in which case Co. would have earned in 3 yrs. 100% on common stock, none of which has been paid out in divs. In 3 yrs. Co. has charged off $10,000,000 from inventory acct., has retired over $5,000,000 of notes from earnings and has charged $1,000,000 yrly. to depreciation, besides financing big expansions entirely out of earnings. Altogether nearly $20,000,000 has been turned back into the Co. without issue of new securities.

General Railway Signal.—ANNUAL REPORT FOR 1913 showed 27.4% on common after 6% on pfd., against 14.2% on common in 1912.

Gillette Safety Razor.—EARNINGS FOR 1913 were 14.6% on common stock, against 10.7% in 1912. During yr. Co. retired $460,000 pfd. stock, leaving $6,000,000 outstanding. Feature of yr.'s business was big increase in foreign business. Co.'s factory in England has been enlarged.

B. F. Goodrich Co.—EARNINGS FOR 1913, according to preliminary statement, will be about $2,600,000 after maintenance, depreciation, etc., giving undivided profits of $700,000 after full divs. on pfd. stock and 1% on the common. Quick assets Dec. 31 were $20,000,000, against current liabilities of $4,000,000—a much better showing than prev. yr.

Goodyear Tire & Rubber.—PROPOSITION to increase pfd. stock from $5,000,000 to $7,000,000 and common from $5,038,000 to $8,000,000 will be acted upon at an early meeting of stockholders. Plan calls for common stock div. of 20%, sale of $1,500,000 common stock at par to common stockholders, sale of $2,000,000 pfd. and $500,000 common at par to pfd. stockholders. This provides $4,000,000 new capital. Sale of stock has been underwritten.

Guggenheim Exploration. — RUMORS OF DISSOLUTION OF CO. are not substantiated by officials. Co. is not a holding

Co. in the generally accepted definition of the word. Its stocks are those of mining Co.s not engaged in interstate business in the manner of a railroad or public utility Co. During 1913 Co. increased its holdings of Ray Copper 33,100 shares. At end of the yr. it had 154,300 shares, against 121,200 at close of 1912. Holdings of Utah and Chino remained unchanged. The former cost Guggenheim an average of $22 and Chino $25. Holdings of Yukon gold were increased by 7,740 shares, total investment now being 2,842,525 shares. Co.'s income for 1913 increased $82,000 over preceding yr. and was equal to 16.1% on its stock.

Illinois Central.—EARNINGS last half of 1913 increased $1,243,000 gross and $486,000 net. But still larger gains should be reported from now on, as Co. suffered severely from floods in spring of 1913. Coal tonnage has increased, contrary to experience of almost all other western roads.

Interborough Rapid Transit.—EARNINGS 7 mos. to Jan. 31 increased at the rate of less than $500,000 yrly., against increase of $1,262,000 prev. yr. However, 2d half of fiscal yr. is usually best on these lines. Earnings for full yr. will be probably 20% or more on the stock. (Sub-Co. of Interborough Met.)

Intercontinental Rubber. — VOTING TRUST AGREEMENT ended after 7 yrs. existence. Pfd. stock has all been retired, leaving $29,031,000 common.

International Agricultural Chemical.—OFFICIAL SAYS: "Co. has serious expectations of doubling sale of fertilizers during fiscal yr. ending June 30 next. In 1913 yr. we sold 470,000 tons of 'complete' fertilizers. This yr. we should produce at least 800,000 tons. Fertilizer conditions throughout country are in splendid shape. We have charged off every accumulated loss, bad debt or discarded investment." However, Co. is probably several yrs. away from resumption of pfd. divs.

International Harvester. — FOREIGN BUSINESS of Co. continues to grow. For example, Co.'s sales at Omsk, Siberia, last yr. were $3,500,000. Business depends largely on crops, but the average crops the world over does not change very widely from yr. to yr. McCormick and Deering plants are running nearly 100%.

International Mercantile Marine.—LIABILITY for sinking of Titanic has been decided by British Court of Appeals to rest upon Co., due to negligence in navigation. Under British laws total liability would not be in excess of $3,000,000. The decision caused a sharp decline in price of Co.'s collateral trust bonds.

International Nickel. — SUBSCRIPTIONS BY EMPLOYEES to common stock at $110 a share, according to length of service and amount of salary or wages is proceeding satisfactorily. At Constable Hook about 600 out of 1,200 employees have taken their allotments. Most of these employees are from eastern Europe and some have been with the Co. as long as 10 yrs.

International Paper.—NET EARNINGS FOR 1913 are reported on good authority to have been about 6% on pfd. stock. However, a substantial part of net will be devoted to betterments and rehabilitation, so that annual report will perhaps show less than the 5.3% earned in 1912. During 1913 Co. lost 2 dams on the Hudson River by floods, and in repairing a much more permanent type of construction was used, securing larger horsepower. This work, costing $500,000, was all charged to operating costs. Newsprint consumption of U. S. in 1913 increased more than 5% and productive capacity of all mills in this country and Canada is estimated at 5% in excess of consumptive requirements.

International Smelting & Refining.—NEW CONSTRUCTION since organization of Co. has totalled several millions without any increase in obligations and $2,000,000 more will be spent for a smelter to handle ores from Inspiration and Miami Copper. A new issue of stock is contemplated, but so far no definite plan has been adopted.

Jersey Central.—MAINTENANCE EXPENDITURES during 6 mos. ended Dec. 31, 1913, were 18% greater than those for same period of prev. yr. Gross receipts decreased $380,000, but operating expenses increased $660,000, of which $355,000 was for maintenance of way and $245,000 for maintenance of equipment. Surplus fell far behind previous yr., nevertheless full yr.'s divs. were earned in 6 mos. with $200,000 to spare. (Controlled by Reading.)

Kansas City, Mexico & Orient.—SALE OF CO. by June 1 at upset price of $6,000,000 provided bondholders' reorganization committee buys, or to other bidders at a higher price, probably $10,000,000 to $12,000,000, is provided for by Judge Pollock's recent order. Receiver Davidson says that nothing will be done toward reorganization under 3 or 4 mos. Committee has not yet raised any funds, but will try to raise $15,000,000. Management will probably remain unchanged after reorganization.

Laclede Gas (St. Louis).—ANNUAL REPORT showed 8.2% earned on common stock, against 8.4% for 1912. Operating expenses increased somewhat during the yr. New coal gas plants of increased capacity and modern designs were erected at stations A. and B.

Lehigh Valley.—EARNINGS last half of 1913 were 5.8% less than prev. yr., and net operating income declined 17.2%. Nevertheless Co. will have no difficulty in covering its full 10% div. requirement on common stocks. Unusually mild weather has seriously restricted the movement of an-

thracite coal, which forms 45% of Co.'s total tonnage.

Massachusetts Electric.—GROSS EARNINGS for quarter ended Dec. 31 increased $55,000 over 1912 and expenses increased $73,000. Net earnings were $18,000 under 1912, but larger than any prev. yr. Co. is increasing maintenance expenditures as far as surplus earnings will permit, and making no effort to show much above the 4% div. earned on pfd. stock.

Mexican Petroleum.—REPORT for 6 mos. ended June 30, 1913, has only just appeared. It shows earnings of 5.7% on common during that period, after payment of 4% on $12,000,000 pfd. Divs. on common during that time were 2½%. Divs. on both pfd. and common have since been suspended.

Minneapolis & St. Louis.—PRES. ERB SAYS: "Co. has relaid in 2 yrs. 120 miles of 85 lb. steel rails, ballasted 200 miles of main line, rebuilt 3,000 freight cars, added to motive power and reduced net obligations nearly $5,000,000, without increasing to any material degree its interest charges. Gross earnings have increased about 25% above the prev. aggregate of constituent Co.s. Co. has no additional financing for next 2 yrs."

Missouri, Kansas & Texas.—NET EARNINGS last half of 1913 decreased $1,462,000 from prev. yr. Unless a decided recovery sets in before June 30 Co. will not earn its pfd. div. "Katy" was hard hit by a poor crop yr. in most of its territory. Suit for $100,000,000 penalties brought by Texas attorney general for alleged violation of state anti-trust law has been compromised. Road agreed to spend $6,000,000 on improvements in Texas in addition to $2,000,000 for repair of damage by Dec. floods, and to separate the Texas line from control by the Kansas line.

Missouri Pacific.—PRES. BUSH SAYS if business past 6 mos. had been carried at 1912 rates earnings would have been between $1,500,000 and $1,750,000 greater, so that gross would have increased $800,000 instead of decreasing by that amount. Freight tonnage was 5.8% heavier than prev. yr. and passenger traffic 7% heavier. Saving in transportation expenses was $399,000. Maintenance was reduced by $490,000, but still represented 32.5% of gross, which the Pres. says is ample to liberally maintain the normal condition of the property.

National Biscuit Co.—ANNUAL REPORT FOR YR. ENDED JAN. 31 shows 11.3% on common after 7% on pfd., against 9.6% on common prev. yr. Rumored that div. on common may be increased to 8%, but management is conservative and is using a good deal of cash for development of property.

New York Central.—SALE OF Nickel Plate and Michigan Central holdings is rumored to be under consideration, but the story cannot be verified. Central has sold about $30,000,000 1 yr. 5% notes in London to provide for its 3 yr. 4½% notes maturing Mar. 1. No arrangement yet made for taking care of $20,000,000 5% notes maturing April 21. Co. has $101,000,000 short term notes maturing in 1914 and 1915.

New York, New Haven & Hartford.—TURN FOR THE BETTER in net earnings was visible in Dec., decrease from prev. yr. being only $140,000, against decrease of $488,000 in Nov. In last 6 mos. of 1913 New Haven proper, leaving out of consideration surplus earnings of sub- Co.s, earned less than 0.6% on its stock, compared with a little less than 3% prev. yr.

New York, Ontario & Western.—SURPLUS AFTER CHARGES 1st 5 mos. of present fiscal yr. was $576,000, against $859,000 prev. yr., a decrease of 33%. Appropriations for depreciation were somewhat larger than prev. yr. Slow condition of anthracite trade is principal cause of reduced earnings. Considerable improvement will be necessary during remainder of fiscal yr. if surplus is to permit payment of customary 2% on stock.

New York Railways.—INTEREST ON ADJUSTMENT BONDS for 2d 6 mos. of 1913 will probably bring the full yr.'s disbursement up to about 4%. Directors will take early action on this. Transportation returns last yr. were good but expenses were high. In last half of yr. there was an increase of $320,000 in paving cost.

Norfolk & Western.—SINCE 1901 road has been practically rebuilt. For every dollar paid out in divs. on common stock $1.20 has been turned back into Co. Last yr. 64% of its total tonnage was bituminous coal, while in 1908 this tonnage was less than half last yr. From 1902 to 1913 Co. expended $84,602,000 on additions and betterments to property and equipment, or $47,000 per mile of road. Of this $14,000 per mile has been provided out of surplus. Nevertheless profit and loss balance has expanded from $2,633,000 to $11,423,000.

Northern Pacific.—CURRENT EARNINGS are well maintained, altho there has been some falling off in coal and lumber tonnage. The Co. has no extensive plans for improvement work next spring.

Pacific Mail.—IMPROVEMENT IN POSITION of Co. since 1908 has been slow but steady. A deficit of $428,000 in that yr. was gradually converted into a balance of $20,000 in 1913. The effect of the opening of the Panama Canal cannot be accurately predicted, but apparently it should help this Co. So. Pac. last yr. increased its ownership of P. M. by 10,700 shares, giving it $11,080,000 of the total $20,000,000 P. M. stock outstanding.

Pennsylvania.—EARNINGS FOR 1913

were the poorest for 4 yrs., despite unprecedented volume of gross earnings, which increased 4.6% over 1912. Operating expenses increased 9.1% so that net earnings fell off 15.8%. Both Pennsylvania and Panhandle suffered severely from floods. Maintenance expenses have recently been somewhat curtailed, and the advance in transportation expenses has been partly checked. Annual report will show a balance of about 8½% on $500,000,000 stock. In 1912 earnings were 9.3% on $453,000,000 stock. Co. will not have any important discounts on securities to write off, has no short term debts and no pressing maturities and has made proper provision for depreciation of equipment. Main line between Phila. and Pittsburgh, including terminal property and branch mileage up to a total of 900 miles, is mortgaged for only $52,000,000 and affords an excellent basis for further borrowing on bonds.

People's Gas.—ANNUAL REPORT for 1913 shows earnings on stock of 7.5%, against the same figure for 1912.

Philadelphia Co.—GROSS EARNINGS 6 mos. ended Sept. 30 were reported at $3,081,000; net earnings, $1,573,000; total income, $2,533,000; surplus income, $1,544,000; improvements and extensions, $240,000; final surplus, $1,304,000.

Pittsburgh Coal.—PAYMENT OF BACK DIVS. is still being discussed by committee in charge of plan. They are about 38% and may be covered by a new issue of pfd. stock, without increasing fixed charges. Yr. 1913 showed heavy increase in earnings over 1912.

Pressed Steel Car. — DECLARATION OF DIV. of 3% on common stock was a surprise, as it was not generally appreciated how much profits increased in 1913. Balance for common in 1913 will be between 8% and 10%. This is 1st div. payment on common since 1904. The increased use of all steel cars has been a great help to Co. and perhaps directors are counting on this feature to a continued payment of div.

Reading.—CLASSIFICATION YARDS, now nearly completed, will be largest in the world. Cost has been $2,000,000 and construction has required 5 yrs. They operate almost entirely by gravity and tap about ⅗ of the entire anthracite area of Pa. Movement at the yards is about 1,000 empties and 1,000 loaded cars a day. They are situated along the foothills of Broad Mountain, between St. Clair and Port Carbon. Rumors of segregation plans for Reading are persistent, and it is believed by some that Baltimore & Ohio and Lake Shore have disposed of some of their holdings of Reading stock. Segregation would contain interesting possibilities.

Republic Iron & Steel.—ANNUAL REPORT FOR 1913 shows 12.4% on pfd. stock, against 8.9% in 1912. This is equal to 7% on the pfd. stock and 5% on the common stock. During the yr. Co. charged off heavily for depreciation, etc., increase over 1912 amounting to $507,000. With exception of 1907, this report was the best issued since organization.

Republic Railway & Light.—SURPLUS FOR 1913 was sufficient to cover requirements for pfd. divs. and nearly 3% on common stock.

Rock Island.—REORGANIZATION OF CO. should do more good than harm to the Co.'s bonds, as divs. on the operating Co.'s stock would then be deferred for a few yrs. adding to the surplus back of the bonds. The Railway Co. has been obliged to pay 5% divs. to supply funds for the Railroad Co. to pay interest on its 4% bonds, and thus support the structure of the R. I. Co. overhead. Reorganization would simplify and improve the situation. It is expected that a plan of readjustment may be ready for submission to security holders at an early date. An assessment of $10 a share on the stock is considered probable.

Rumely Co. (M.)—PRES. FUNK says that the $10,000,000 notes must be extended and he hopes the situation will work out satisfactorily. Only 200 men are now employed at the La Porte plant, where normal force would be 1,500 to 2,000 men. If needed financing can be arranged he thinks everything will work out all right.

Seaboard Air Line.—ANOTHER DIV. of 1% presumably establishes the pfd. stock at a 4% yrly. rate, altho the board has not actually committed itself to this rate. Present prospects are for earnings of nearly 8% on pfd. for current fiscal yr. This would permit application of a dollar to the property for every dollar in divs. Outlook for traffic is encouraging and industrial conditions along the line are on a sound basis. Maintenance is about the same as last yr., about 27% of gross.

Sears, Roebuck & Co.—ANNUAL REPORT FOR 1913 showed gross sales of $91,357,000, against $77,116,000 prev. yr. The increase was $14,000,000, against an increase of $13,000,000 in 1912. All of the increase in gross except $700,000 was absorbed in increased costs and expenses. Margin of profit fell from 11.9% to 11%. Surplus for divs. on common was 21.2%. Div. 7%. Among the assets is a new item, advances to branch houses $5,045,000.

Southern Pacific.—ISSUE OF NEW BONDS, to be offered to stockholders to extent of 20% of holdings, will amount to $54,534,000. Underwriting syndicate will be headed by Kuhn, Loeb & Co. Earnings of Co. current fiscal yr. will probably be about 8%, against 9.6% previous yr. Co. is carrying large investments without any return. Its new lines in Mexico have cost, without reckoning int., $38,255,000. There has been practically no increase in this investment during the past two yrs., and very slight returns. Normal returns on this amount

would produce an additional 1% on Co.'s stock.

St. Louis & San Francisco.—OUTCOME OF RECEIVERSHIP is somewhat uncertain. A weakness of the Co. has been the preponderance of bonds and the relatively small proportion of stock. Funded debt kept increasing until it was 82% of the total capital liability. This makes the receivership problem difficult. The ratio of funded debt to total capitalization of other Co.s in similar territory varies from 48% for Kansas City So. to 62% for M. K. & T. Future welfare of Co. demands a radical reconstruction of its financial structure.

Texas & Pacific.—BUSINESS DURING 1913 was heaviest in Co.'s history. While gross earnings have been going up transportation costs have been going down. In this respect Co. has made in past few mos. the best exhibit of any R. R. in the country. First half of 1913 showed a deficit of nearly $900,000, but this was overcome the last half and a surplus of $100,000 accumulated. This was, however, less than ½% on the income bonds.

Third Avenue.—EARNINGS last 6 mos. of 1913 showed an increase of $670,000 in gross, $403,000 in net and $48,000 in surplus. Earnings for yr. 1913, after charges and depreciation, were 5.9% on stock outstanding. Pres. Whitridge says: "Our present surplus is not applicable to divs. because it is necessary to expend these earnings on property for several yrs. to come."

Twin City Rapid Transit.—ANNUAL REPORT FOR 1913 shows largest gross and net earnings in Co.'s history. Int. charges were earned almost 4 times over, and after 7% divs. on pfd. stock, balance before depreciation was 13% on common, against 11.3% in 1912. Co. does not intend to do any financing at present, but will expend about $2,000,000 for improvements. This will be taken out of earnings, so there appears to be no immediate prospect of increased divs.

Underwood Typewriter. — EARNINGS FOR 1913 will show little change from 1912, when 16.3% was earned on common stock, or 14.9% after deducting special reserves. Apparently directors do not contemplate increasing divs. Co.'s charter provides that $1,000,000 must be set aside before disbursements on common stock can be raised above 4% yrly.

Union Pacific.—DIV. WARRANTS to cover the recent extra div. on common stock will be sent out instead of checks, because of possibility that litigation may cause postponement of payment. These warrants will be exchangeable when, as and if said extra div. shall be payable. Only holders of common stock registered at 3 P. M. March 2 will be entitled to the div. Convertible bondholders are aggrieved at purpose of Co. to leave them out of the distribution unless they convert their bonds into stock previously. The situation is very complicated and will doubtless have to be settled by the courts. Officials believe that the pfd. stockholders will be found to have no standing.

United Dry Goods.—H. B. CLAFLIN CO., which is controlled by Associated Merchants, which in turn is controlled by United Dry Goods, showed a decrease of $2,700 in profits for last half of 1913, as compared with 1st half, and decrease of $23,000 as compared with last half of 1912. Net earnings for yr. 1913 were $527,000, which was $22,000 less than 1912, but much better than 1911 or 1910.

U. S. Realty & Improvement.—EARNINGS 8 mos. ended Dec. 31 were gross $2,313,000; net $1,448,000; balance, after int., $1,050,000; surplus after divs., $646,000, against $639,000 for corresponding period of 1912.

U. S. Rubber.—FISCAL YR. of Co. has been changed from March 31 to Dec. 31, so that forthcoming annual report will cover 9 mos. to Dec. 31. It will show surplus above common divs. proportionally as large as in previous fiscal yr. In the meantime the div. rate was raised last April from 4% to 6%, so that Co. will have distributed 1½% more and yet will have an equal balance after divs. Full 9 mos. showed a gain of 19% in tire sales, altho the demand slackened rapidly toward the close of the yr. The recent offering of pfd. stock produced $1,700,000 additional working capital and the amount left unsubscribed for will be sold whenever directors think conditions are favorable. This stock is now quoted at 103, so that Co. will probably realize better than par when it is sold.

U. S. Steel.—NET EARNINGS PER TON of steel sold showed an increase in 1913, the first increase since 1907. The complete figures are as follows: 1913, $8.42; 1912, $6.67; 1911, $8.91; 1910, $10.86; 1909, $10.98; 1908, $12.06; 1907, $12.55; 1906, $11.90; 1905, $10.45; 1904, $8.51; 1903, $10.50; 1902, $13.25. From 1907 to 1912 the Co. was depending on increased production for its earnings rather than upon good prices, but apparently some turn in the situation was indicated in 1913. The Co. will shortly establish a co-operative farm of 12,000 acres, near Conneaut, O., for supplying foodstuffs to employees at cost of production. The plant at Gary is now running at 85% capacity, and officials state that the mills may be operating normally by March 1.

Vulcan Detinning.—QUARTER ENDED SEPT. 30, sales aggregated $212,000 and deficit after expenses was $30,000. Co.'s surplus was given as $259,000.

Wabash.—SALE UNDER FORECLOSURE, held by Equitable Trust Co., has been ordered by Federal Judge Adams, minimum price $34,000,000. Chester H. Krum, of St. Louis, was appointed special master. Sale cannot be made unless cash deposit of $1,700,000 is put up. It is probable that an-

nouncement of reorganization plan will soon appear, and if the money market situation permits it is hoped that Wabash may be reorganized by spring.

Wabash-Pittsburgh. — REORGANIZATION PLAN for Wabash-Pittsburgh Terminal and Wheeling & Lake Erie, now on paper, calls for raising nearly $39,000,000. Not more than $10,000,000 cash will be needed for Wabash-Pittsburgh, but $5,000,000 additional for betterments, new equipment and power. W. & L. E. defaulted notes, receivers certificates, etc., will require about $15,000,000 cash and it will need $5,000,000 for betterments. Under this plan the two Co.s would be consolidated under one management and new stock placed in a voting trust for 5 yrs. The next step will be to find a syndicate to underwrite the new securities.

Western Union.—GROSS EARNINGS for 11 mos. ended Nov. 30 increased $1,600,000 over same period of 1912. Appropriation for depreciation and reconstruction was large, $3,126,000, so that balance after charges was only $119,000 above div. requirements. It is announced that Marconi Wireless will soon start its trans-Pacific service in connection with W. U. at 33⅓% reduction from existing cable rates.

Westinghouse Electric. — SURPLUS 9 mos. ended Dec. 31 was about $3,500,000 after int. and other charges. Earnings for the 9 mos. were about double the divs. on both pfd. and common stocks. In the last 3 mos. of 1913 earnings fell off but balance of 10% on the common for the yr. is expected.

Willys-Overland.—ORDERS ON HAND Jan. 31 for immediate shipment showed a gain of 64% over same date last yr. For 7 mos. ended Jan. 31 shipments of cars were 35% over preceding yr.

Woolworth (F. W.).—ANNUAL REPORT for 1913 showed a balance of 10.8% on common stock, against 8.7% preceding yr.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Anaconda-Amalgamated.—Anaconda produced 24,400,000 lbs. of copper during Jan. This compares with 25,100,000 lbs. in Dec. Anaconda is generally regarded as 280,000,000 lb. producer; but in this output is 35,000,000 or 40,000,000 lbs. of North Butte and other mines' product now treated in its reduction plants. Co. should produce at least 260,000,000 lbs. this yr. from its own ores. Pres. Thayer decided to recommend erection of a 2,000-ton leaching plant at the Washoe smelter. The plant will later be enlarged to capacity of 9,000 tons per day. With other extensive improvements, the cost of the whole would be in excess of $6,000,000, and requiring more than 2 yrs. to complete. Amalgamated declared a qtrly. div. of $1.50 a share. The rate was cut from an annual basis of $8 to $4 in Nov. 1907 and in following Feb. was further cut to $2 a yr. basis, which was continued up to May 1912, when the rate was doubled, followed by a further increase to a 6% rate last Oct.

Braden.—Pope Yeatman, consulting engineer, states in a letter to friends here that property will eventually develop over 100,000,000 tons of ore. His latest estimate of reserves gives 78,039,900 tons assaying 2.80% copper. About 3,600 tons of ore daily have been treated of late, this representing the capacity of the blast furnace.

Butte and Superior.—The figures for Dec. are the best Co. has ever reported. Production of zinc in concentrates was 11,433,618 lbs. By solving certain problems expectation was realized. The result has been a production during yr. of over 100,000,000 lbs., of which over 65,000,000 lbs. have been produced in last 6 mos. In Jan., Co. produced 11,345,453 lbs. The recovery was 90.6%, the concentrates running 51% zinc content.

Calumet & Arizona.—It is expected that Co. will average 5,000,000 lbs. a mo., which would be a fair increase over recent yrs. Co. produced 5,230,000 lbs. of copper in Dec., the largest monthly output for the yr. The output for 1913 was smaller than in 1912, owing to changing over from old to the new smelter. Output for yr. was 51,710,000.

Chino.—The report for last quarter of 1913, completes record of Co.'s operations for the 1st fiscal year that operations have approached capacity. The yr.'s output of copper totaled 50,500,000 lbs. compared with 28,000,000 lbs. in 1912, cost of production 8½ cents per lb. against 7.69 cents in the 1912 yr. On the increased production net earnings were $3,300,000, or $4 per share, against $2,176,000 or $2.50 per share in prev. yr. Jan.'s production of over 6,000,000 lbs. points to the realization of output this yr. of 60,000,000 lbs.

Granby.—The Hidden Creek ore averages 2.3% and is expected to yield 40 lb. of copper per ton. The new plant should treat 600,000 to 700,000 tons a yr. and add from 24,000,000 to 28,000,000 lbs. to Granby's annual production, which at present is at rate of about 21,000,000 lbs. The prospect therefore is that Granby's net earnings will be more than doubled. If Granby can produce 45,000,000 lbs. annually at cost of 10 cents a lb. and sell for 15 cents, it will earn over $14 a share on its stock after meeting int. on its bonds. Net profits per share will increase $3 for each cent that price of copper advances. The financial interests behind Co. are very strong and easy to raise all money required. Granby owns an immense water power in State of Washington, which it is estimated will generate 100,000 electric horse power.

Greene-Cananea.—Co. produced 44,459,495 lbs. copper during 1913, of which 37,050,574 lbs. came from Co.'s own mines, and 7,408,921 lbs. from treatment of custom ores. The Greene smelter, however, turned out in excess of 74,000,000 lbs., the difference representing 11 mos.' production from Miami, shipped there for treatment. Gold output was 5042 ozs. from Greene-Cananea ores; silver 1,150,710 ozs.; from custom ores 1542 ozs. and 242,408 ozs. respectively. The Greene ores continued to yield about 50 lbs. of copper per ton, with accompanying gold and silver values. Greene Consol. will probably declare a div. of 50c. per share, which will give $475,930 to Greene-Cananea, as holder of 95% of outstanding capital of Greene Consol.

Goldfield Consol.—Co. in Dec. produced 28,804 tons of ore. Net earnings were $153,353. Total net cost per ton was $6.46. Preliminary official estimates for Jan. shows net $156,000.

La Rose.—Co. reports net profit for yr. to Dec. 31, 1913, $953,000. Production in Dec. was 260,973 ozs. silver, at a gross value of $149,610; sundry income, $7,130; total income, $156,740; marketing, concentration and operating expenses, $60,402, making net profit for Dec., $96,338. Production for yr. was 2,634,000 ozs., having a gross value of $1,550,000. This compares with 2,613,000 ozs. in 1912, which gave a net profit of $1,023,000. The surplus on Dec. 31 was $1,890,222, including cash, $1,677.330.

Mines Co. of America.—Notwithstanding interruption to operations in Mexico, Co. showed a profit of $461,847 for first 9 mos. of 1913. Div. payments totaled $210,256, while exploration expenses were $83,283. Surplus and reserve stood at $2,656,180 Sept. 30, against $2,487,872 at end of Dec., 1912. Co. has closed down its properties because of Mexican troubles. Sept. 30 it had nearly $1,000,000 in cash and bullion, of which $488,149 was cash and $504,297 bullion and concentrates.

Nipissing.—Annual report for 1913 will be sent to shareholders in April, the yr. as of Jan. 1, 1914. There has been of late a falling off in net earnings, due to lower average grade of ore, and it is not possible to predict earnings in advance. Earnings will in future, as in the past, depend on the continuation of veins now known and being operated, and discovery of new ore bodies. Co. holds a large area of undeveloped territory. The management will continue to make the largest possible returns compatible under this policy. Distributions in the past 8 yrs. have amounded to $11,340,000. Supplementing statement by Pres. Earle, during the past 3 mos. Supt. Watson has encountered 5 new veins, 8 ins. in width, and assaying about 2,000 ozs. of silver per ton of ore. Stoping not begun yet, so that extent of these ore bodies has not been ascertained. Ore reserves on Jan. 1, 1914, were practically unchanged from the 9,600,000 ozs. reported Jan. 1, 1913. This indicates that for every oz. of ore extracted during the yr., another oz. was put in its place.

North Butte.—In 1913 yr., Co. earned $4 per share and paid $2, and has not only actually paid for 750 acres of new and promising mineral land in the Butte camp in large part out of earnings, but actually added to working capital, which now stands at about $1,000,000. It has blocked out on 3 sides reserves of about 1,250,000 tons of ore, the greatest blocked-out reserves in its history. A point in North Butte's favor is the high grade of ore. During last 3 mos. its ore averaged to net the Co. 61 lbs. of copper, and 3.65 ozs. of silver per ton, which is much above average grade of Butte ore. North Butte is now on a 30,000,000-lb. production basis.

Ray Consolidated.—Co. broke all its prev. production records in Jan. with output of 5,705,000 lbs. copper, which was at rate of 68,000,000 lbs. annually, producing very nearly up to capacity of its mills. The greatest improvement Ray will make will be reducing its copper costs, and it is believed that it will be brought down to 8½ or 9 cents a lb., from 10 cents in 1913. Co. reports operating profits for yr. ended Dec. 31, 1913, $2,790,485, compared with $2,069,903 last yr. Jan. output was 5,705,000 lbs., compared with 5,232,167 lbs. in Dec.

Shannon.—For last quarter of 1913, and a reduction in cost to 12.37 cents per lb., made the quarter show up fairly well. In Dec. costs were 13.44 cents, and Jan. production of less than 1,000,000 lbs. holds out little hope for improvement. For 1913 yr. Co. produced 13,600,000 lbs. at a cost of 13¼ cents per lb., and earned net $272,000, or 90 cents per share on its 300,000 shares outstanding. In fiscal yr. ended Aug. 31, 1912, 16,400,000 lbs. of copper were produced, at cost of 11.42 cents with net earnings of $596,000, or $2 per share. Div. resumption is a remote possibility. Co. finished the 1913 yr. with an excess of quick assets over current liabilities of practically $400,000, after payment of div. of $150,000 early in the yr.

Shattuck-Arizona.—Output for 1913 is reported as 13,219,756 lbs. Besides this, Co. produced 236,000 ozs. silver, and over 2,000 ozs. gold. This production has come from shipment of about 250 tons a day, with intention to double production as soon as feasible to 500 tons, of which 400 will consist of copper ore, and 100 tons of lead-silver. There has been no appreciable increase in last 6 mos., owing, apparently, to inability of the Calumet & Arizona smelter to receive larger shipments. These will now be at once increased to 300 tons a day. Should Co. succeed in doubling its output, there is no reason why it should not earn between $4 and $5 per share.

Utah Copper-Nevada Consol.—Utah Co.'s capitalization of 1,625,000 shares is based upon assumption that all of the Bingham & Garfield railroad bonds outstanding will be converted into Utah Copper shares at $50. The privilege expires July 1, 1914, however, and thereafter bonds will not be convertible. In yr. 1913, Utah Co. produced at its mines and mills in Utah approx. 120,000,000 lbs. of copper. Add to this ½ the output of Nevada Consol., from which it benefits through stock ownership, and its gross production for last yr. figures slightly more than 152,000,000 lbs. Nevada Co. in 1913 compared poorly with 1912. Production of 64,970,000 lbs. was a high record, but bad weather conditions, lower grade of ore, lower copper market, etc., increased costs and decreased earnings. Net profit for divs. for yr., after plant depreciation, was $3,500,000 against $4,823,000 in prev. yr., or $1.75 per share, against $2.45 in 1912. Costs for 1913 were about 9¼ cents against 8.33 in 1912. The 1913 deficit was taken care of by reducing surplus from $8,071,000 to $7,071,000; this represented the extra div. of 50 cents per share paid in the last quarter.

Copper Producers' Statement.—The Jan. statement shows a decrease during the mo. in surplus in this country of 4,142,182 lbs.:

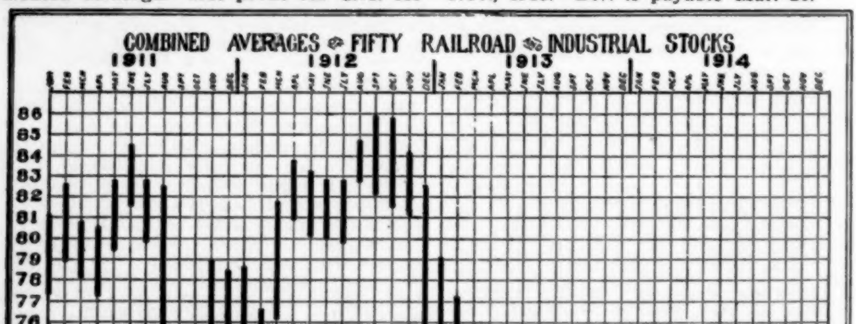
Stocks in U. S., Jan. 1, 1914.....	91,348,867
Production all sources in Jan...	131,770,274
Deliveries (consumption and export) Jan.	135,912,456
Stocks on hand at all points in U. S., Feb. 1.................	87,206,685

The Steadily Increasing Consumption of Copper.—It will be seen that in spite of total net increase in production in 4 yrs. of 217,047,000, there has been a decrease in surplus stocks of 218,264,000 lbs.

	American Prod. Increased.	World's Surplus Decreased
1910	46,719,000	80,235,000
1911	20,184,000*	110,783,000
1912	150,212,000	45,547,000
1913	40,300,000	44,699,000

*Decrease.

Utah Consol.—Co. declared a div. of $1 a share. The prev. div.—50 cents—was paid in Nov., 1913. Div. is payable Mar. 21.



TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Practical Points on Stock Trading

A Few Observations Based on Long Experience

By SCRIBNER BROWNE

II—A Logical Way of Approaching the Problem

IN the last article I tried to emphasize the fact that the investor or trader in stocks must know exactly what he is trying to do before he starts in to do it, and not begin by confusing two or three different ways of working.

If he is a long-pull investor he will use one kind of methods and will watch one kind of factors influencing prices. If he is a speculator trying for the twenty-point swings he will have to go at it in a very different way, and in still another way for the ten-point moves or the five-point fluctuations.

The long-pull investor fixes his eye chiefly on prices and values—that is, on the comparison between the two. At the other end of the scale, the trader for the little five-point moves cares nothing at all about values or even about financial conditions—he must base his operations entirely on the "technical" condition of the market, by which is meant the character and size of the short interest, the nature of the long interest, whether composed mostly of investors, or of strong and far-sighted speculators, or of the outside trading public, and so on.

In between the two come the study of money rates, the statistics of price movements as shown by "averages," observation of the volume of trade over considerable periods, of the sentiment of the speculative public, etc. The longer the swings at which you are aiming, measured either in points or in time, the more attention you will pay to values and fundamental conditions. The shorter the swings, the less attention you will pay to the above factors and the more you will study price movements, volume of trade and technical conditions.

It is suicidal for the genuine investor to allow himself to be influenced by the narrow technical conditions, or, on the other hand, for the trader to permit himself to be thrown off the track by considerations based on values and fundamental conditions.

I suppose it is possible for a man to be so thoroughly trained that he has mastered both fields and can skilfully combine the two, but I have never seen such a man and I never expect to see one, any more than I hope to see Gellett Burgess' purple cow. My impression is that such a superman as that would soon own the earth and would therefore graduate from the necessity of trading in stocks, unless he could promote a string of canal boats on Mars or something of that sort.

* * *

THERE are, then, four main classes of buyers and sellers of stocks: (1) Investors. (2) Long-pull speculators. (3) Active speculators—a class about half way between speculators and traders. (4) Traders. And as I divide these in my own mind, the first class covers those who are working for the big investment movements, usually extending over a year or more; the second class

comprises those who try for the long swings—twenty or thirty points in the most active stocks; the third class aim to catch the intermediate swings of ten or more points; and the fourth, the traders, hope to profit from part of the minor fluctuations, amounting to five points or so in the active stocks.

The most important factors that these four classes have to work on are as follows:

Investors.—The actual value of stocks, as shown by the earnings and prospects of the various companies; and the prices of those stocks, whether low or high, as shown by the dividend yield on the investment and the probability of the dividends being maintained.

Long-pull Speculators.—The same as for investors, but also money rates and banking conditions, crops, and a broad survey of the swing of prices and the increase and decrease in the volume of transactions from week to week.

Active Speculators.—Some consideration of the New York bank statement, but mainly the swing of prices, the broad changes in volume of transactions, the technical condition of the market as shown by prices, volumes and behavior from day to day, and the extent to which the market responds to news announcements.

Traders.—Nothing but technical conditions, as shown by the tape, or by the continuous transactions as published in some of the newspapers, or by the trader's knowledge of the character of the buying and selling and the extent of the short interest, or his observation of the effect of the news on prices.

* * *

I HAVE gone into this at some length because some of the biggest losses are made by "mixing drinks," so to speak; by trying to straddle over two or three of these classes at the same time, or by flopping from one class to another in a haphazard way.

Again and again it happens that a man will buy stocks as an investor and carry them until they run into a considerable loss. This leads him to pay more attention to the market. He sees heavy selling, and the news tickers tell him that it is "liquidation by important interests," or something of the sort.

This is a consideration for the trader, who is trying to get the five-point fluctuations; but the investor should not allow himself to be influenced by it in the least. Nevertheless, through inexperience, or through not having clearly made up his mind what he is trying to do, he allows himself to turn trader just long enough to sell his stocks at a loss. Soon after, doubtless, stocks go up, with "big buying by important interests."

I shall not attempt to take up here the work of the investor or of the long-pull speculator. The most practical book I have seen on the subject is "Investing for Profit," with which most of the readers of this magazine are probably familiar. But there are many different ways of approaching the subject and, as I said last month, I really can't see that it is especially difficult.

Active trading, however, is difficult enough to give plenty of exercise to the wits, and much less has been written about it—practically nothing, in fact, except what has appeared in THE MAGAZINE OF WALL STREET. I can't hope to rival such series of articles as "Studies in Tape Reading," "Studies in Stock Speculation," "The Psychology of the Stock Market," or "Notes on Office Trading," all of which are carefully preserved in my archives; but I may perhaps drop a hint or two that will prove useful to somebody.

* * *

I HAVE said that the speculator who is aiming at the intermediate swings of ten to fifteen points needs to pay some attention to the New York bank statement. The next question is, How much attention and what kind?

I don't need to say to "this highly intelligent audience" that every bull movement, if it is to carry far and stay there, has to be based on money. We used to have an expression, more forcible than elegant, when I was a boy at school—which was long enough ago so that I am not particular about mentioning the date —"Talk is cheap, but it takes money to buy rum." In the stock market, newspaper gossip is cheap, but it takes money to bull the market.

I very much doubt whether it ever pays to take the long side for even an inter-

mediate swing unless the New York banks have either an excess of deposits over loans or you can see where such an excess is coming from at an early date, in addition to fair surplus reserves. Likewise it probably doesn't pay to work on the short side when the banks have these surpluses, unless you can see plainly that the surpluses are going to melt away shortly.

In either case you are working against the logic of the money situation. Sometimes you could make money by doing that, but some other times you are likely to lose. Every active trader is constantly tempted to try it, but I believe in the long run he would be better off to resist the temptation.

This is the point: A bull market is always run, at least in part, on borrowed money. So if the money cannot be easily borrowed you are not likely to get much of a bull move; and if it can be easily borrowed you are pretty sure to get a bull move, although it may be delayed for some time when politics, crops, wars, Supreme Court decisions, etc., interfere with the development of bull sentiment. And a bull market is likely to be checked when it gets hard to borrow more money with which to carry it further.

I find that the condition of the banks is a more reliable guide in this matter than the money rate itself, as the latter is too much influenced by temporary considerations. The most important question is, Is the necessary capital available? And that question is best answered by the bank returns.

* * *

HAVING examined the bank returns, and having found that the general condition of excess deposits and surplus reserves is either in your favor or at least not badly against your proposed position, your next consideration is the broad movements of prices and the changes in daily volumes of transactions.

My method of recording these—that is, the method I use, for I did not originate it and do not know who did—is best shown by the diagram which appeared on page 71 in the magazine for November, 1913. For my purposes it makes very little difference whether 50 stocks are used or any other number down to, say, eight of the most active issues. There will be slight differences from day to day according to the stocks selected for the average, but taking a period of weeks the general result is about the same. A ten stock average is used by many traders, those being chosen which are the most continuously active.

The daily volume should include all stocks, whether in the average or not. This is because what you really want is a picture of the volume and price movements of the whole market. In calculating your average you use only a part of the stocks as a matter of convenience, and as representing the whole market; but there is no reason why you should not use the total transactions for all stocks together, as they are calculated by all the leading newspapers.

No one can lay down any rules for the interpretation of such a graphic as this, but we *can* lay down certain principles. For example, when prices advance rapidly and maintain their advance, as they did from June 10 to 20, 1913, it is perfectly obvious that great strength is shown. That sounds so simple that it sems foolish to mention it—but the fact was that for a month after June 20 almost everybody was acutely bearish, so perhaps it is worth mentioning after all.

Or, when prices decline slowly and with small volumes of transactions, that shows that there is no great quantity of stocks for sale. Another truism, but how many act on it successfully?

Big volumes of transactions on advances are an indication of big demand for stocks, and heavy volumes on declines show pressure of stocks for sale. Everybody knows it, but how many follow out the idea systematically from week to week and learn to act on it?

The application of these simple principles is not so simple after all. We notice all sorts of combinations and conflictions. Sometimes prices and volumes both point in the same direction and sometimes they are apparently opposed. Covering of short sales often causes a sharp advance in prices, but with decreasing volume of transactions. Or at the top of a prolonged rise, prices may advance very slowly but on a big volume of trading.

There is only one way to learn the

significance of these things and that is by study and experience. In other words, you have to develop your judgment. The value of the principles I have mentioned and of the systematic method of studying them which I have outlined in previous articles, lies in this: They give you a sound and common sense basis to work on, something better than newspaper gossip and the daily announcements of the page tickers.

(*To be continued.*)

Notes on Office Trading

The Application of Principles to Practice

[Beginning May, 1912, and ending July, 1913, there appeared in this magazine a notable series of articles entitled "Notes on Office Trading," by "B.", The present article comprises certain notes and additions to that series which the author has since found desirable. The entire series, which has attracted much favorable attention, will be published in book form a little later—Editor.]

I AM asked certain questions so often, and so often notice traders making mistakes of a certain kind, that it may be worth while to see if a few helpful suggestions can be made. The whole science and art of office trading may be said to consist of a continuous process of analysis of conditions, with the object of forming an opinion which, in turn, has to be translated into action. It will be convenient to consider the most common mistakes and difficulties of traders along the diagnostic and technical lines separately, although they are interdependent and constantly inter-act in practice.

No attempt is to be made to lay down rules. The idea is to show how to apply principles to the solution of the problems which continually confront the trader.

I.

To make a commitment in the absence of a diagnosis of some sort is merely to gamble blindly. To act upon an indefinite one is unprofitable—and unnecessary. A completed diagnosis has been defined already as a reasoned-out conviction of the probability as to the direction of the next move, together with the selection of one, or possibly two, stocks as the best to use at the moment. It must be arrived at in advance, and acted upon in advance. If the trader wait for evidence that his diagnosis is correct, the chance for trading upon it will be already gone. He must act first, and then see if his diagnosis be correct or not. The risks a trader has to take are due to this inescapable condition of trading.

The supposition that it is dangerous to trade before the market actually starts implies ignorance of the extent to which an office trader can protect himself against anything but quite manageable risks. I have already treated the limitation of losses in some detail, and shall later describe the four classes of risks the trader is most apt to be called upon to face at the moment he makes a commitment. It will then be seen that he never has to incur an indeterminate risk, and almost immediately proceeds to reduce even the moderate one that did exist at first.

In a good many cases a vague suspicion of an impending move cannot be confirmed by evidence justifying a definite diagnosis until too late for action. The move starts before the trader has been able to convert a mere feeling into a definite opinion. The question of what to do in such a case admits of but one answer—wait for the next proper chance to take hold.

To miss participation in the beginning of a move is a much less serious matter than is commonly supposed, to say noth-

ing of the observed fact that it is invariably risky, and almost invariably costly, to climb after a stock. If the beginning of an important swing has been missed, there will almost always be a proper chance to get aboard before it is far along.

It does not seem to be realized how frequent such chances are. For instance: During the years 1911 and 1912 together there were just twenty occasions on which more than two consecutive days showed no opportunity to make a definite new diagnosis after the previous one had ceased to hold good. Thirteen of them were in 1911, and only seven in 1912. There were certainly not more than seven in 1913, which was a better trading year than 1912. The number of times that a two-day wait would occur would, of course, be greater. But in no case is there any excuse for taking hold on an incomplete or belated diagnosis.

The following table shows the number of consecutive days (exceeding two) during which a technical diagnosis could not have been made (after the expiration of a move) in each of the three principal trading stocks for the years 1911 and 1912:

Consecutive "blank days."	Reading. (Times.)	Union. (Times.)	Steel. (Times.)
3	11	12	19
4	6	4	7
5	3	6	2
6	..	1	3

These periods did not occur, of course, simultaneously in all three stocks very often. It may be said that a trader would hardly be likely to meet with a whole week that did not offer an entirely suitable opportunity to make a trade in one or more of them. I question whether I have ever known a week during which I should not have been quite justified in making more than one commitment that should fully comply with all the "rules of the game."

Sooner or later, of course, these will become no longer the best trading stocks. We shall see the existing list of names altered from time to time, as they have within my time. But there is no reason to expect that the principles of trading will change, essentially, until there has been a change in human nature—of which I can detect no signs yet.

II.

Coming now to mistakes in the technical handling of trades that have been decided upon from the standpoint of diagnostic judgment. Traders are apt to attribute their lack of success to errors of diagnosis, and seem to regard the actual details of trading operations *per se* as of minor importance. The facts are quite otherwise. A good many men can, in point of fact, call the turn of the market, in its momentary aspects, well enough to give them only a reasonable percentage of downright bad guesses. They would probably make some money if only their technical handling of their trades were methodical and accurate. At any rate, they would have a fair chance of doing so if they only would operate, once in a while, in stocks in which trading operations were feasible!

The whole philosophy upon which the technique of office trading (subsequent to the formation of a trading diagnosis) is based may be summed up in one sentence: "Control your losses, and your profits will take care of themselves." Comparatively few traders seem aware of the possibilities in this direction, much less do they realize that their trading life and death ultimately depend upon it.

The first opportunity for reducing the size of losses and increasing the size of profits comes before an order goes in! A usable diagnosis is necessarily completed at a moment when pressure has ceased. At such a time there is almost always a distinct pause and some narrow fluctuations. The price will not turn round and run out of reach once in a hundred times—under conditions that permit of a proper trading diagnosis being made.

In ordinary cases close watching, and some experience, will enable a trader so to time his orders as to get "good executions," provided he has acquired the elementary habit of buying on momentary weakness and vice versa. Carelessness in this regard probably means a difference of at least an eighth, and often more—against him. The cumulative effect of this is by no means a negligible quantity. In the season 1911-12 I made 136 series of trades, and an eighth of a

point per order would have aggregated 34 points, which is 110% on my capital! If the loss is assumed to have affected the trades only one way it would still amount to 55%. This matter of timing the placing of orders requires, and will well reward careful study.

A stop, put in at a predetermined point when a trade is made, is, in the first instance, nothing but insurance against an excessive loss. The principles upon which that point is determined have been discussed. But, as soon as the trade has been started, watchful care has to be taken to adopt measures to reduce even that risk as soon as may be. No sensible trader would think of making a commitment, putting a fixed stop on it, and then "letting it go at that," for better or worse. In such a case there is plenty of worse, but very little better in sight, in the long run.

If it were certain, or ever could be known, that a trade had been made near a real turning point, even if further than "stopping distance" away, a stop would be not only unnecessary but absolutely wrong. But, as will be seen immediately, in only one of four almost equally probable cases is the trade even likely, much less sure, to be followed by indications that a turning point has been caught. In the other three cases protective measures will be called for, not one of which will leave the original stop in force.

The conditions that follow the making of a commitment may be classified as follows:

(1) Nothing happens indicative of a tendency in any definite direction. The trade must be cut (or else the stop should be brought up quite close) on the ground that the time had certainly been misjudged, more or less, and that there is not better than an even chance that the diagnosis of conditions itself is right. In such cases I have usually found that it pays to close out after a very moderate wait, unless the general conditions have been specially favorable to making a diagnosis, and the technical appearance of my particular stock is very well marked. This qualification applies almost entirely to short sales. The unforeseen is nearly always something bad! Experience shows that it is, practically always, better to close out long trades that do not make good at once.

(2) Adverse signs develop, whether in the general market, or in the special stock traded in. This is, of course, a case that positively demands closing the trade at once. A loss will generally have to be taken, and the trader will benefit here to the exact degree of his skill in detecting adverse signs quickly and of his promptness in acting.

This is the case in which the great majority of traders go wrong. Instead of acting upon the detected adverse fact, they proceed to indulge in self-hypnotism, and keep a trade open which is now only based on a vague hope that conditions will change again before their maximum stop is caught. Which it may do, of course, perhaps once in 437½ times!

What is being discussed is the appearance of adverse signs, i. e., signs casting distinct doubt on the soundness of the diagnosis, and probably leading to a more or less distinct tentative diagnosis in the opposite direction. A natural reaction, is not of itself an adverse sign, and the primary stop is intended to leave room for it.

These two cases only differ in degree. Case one implies a possible doubt of the diagnosis for the moment, and case two implies a distinct suspension of it for the time being. Whether the diagnosis is to be suspended only, or cancelled will, of course, quickly become manifest. But, until a fresh diagnosis has been made, or the previous one confirmed, it is clear that to keep a trade open is more or less risky in case one, and in case two is an absurdity, to put it politely.

(3) A rapid favorable move occurs. The stop must be at once moved to the "flat" price, or even beyond it, if possible. The trade should be closed before going home if the stock traded in has been disproportionately prominent, on the general principle that a quick profit should usually be taken, and, in this case, because the excessive relative movement of the stock itself is suspicious. Besides this, the occurrence of a spurt at the start of a possible movement raises doubts as to its genuineness.

If the stock, on the other hand, has not kept step with the rest, that fact casts doubt on the selection of it as the "best

bet." Close out before the close, with the view of being free to change the selection the next day. But if the market has simply "woke up" all round, the odds are rather in favor of leaving the stop at the "flat" price, on the ground that the beginning of an important swing frequently starts that way, and the next day's opening may be beyond the closing level. The only basis of judgment in this last case is the exact nature of the activity, and the surrounding circumstances. In all such cases, however, when in doubt take the safe side, even at the risk of losing a possible profit.

This case is the one in which judgment and experience count for most. We have noted three varieties of it, in two of which it is safer to close the trade, anyway, and in the third the stop must be brought right up even if it result in the loss of the stock.

(4) A slow general tendency in the right direction gradually develops. The "follow-up" principle here comes into play, and it is usually safe, and the best course, to carry the trade in expectation of a "feature" to follow. This is the one case of the four that raises the presumption that the diagnosis has been correct and that at least a minor swing may be impending.

It will be noted that of the four cases considered—which may be taken as typical of the very great majority of the conditions that arise in actual practice—only one involves a real balance of opinion in favor of carrying a commitment beyond the current fluctuation. I am frequently consulted in circumstances coming under cases one and three, and my advice is nearly always criticised on the ground that it is wrong to cut a trade that may turn out right so long as no positive signs of danger appear. Well, I have managed to survive for over thirty years, and I can't compel Tom, Dick and Harry to tak my advice if they don't want to. Many years' trading has taught me to "play for safety," under all circumstances.

Similar considerations apply to the minimizing of risks on a trade that is well along. Evidently, in this case, a profit of some kind exists, and the part of it that has accrued by means of a change of price-level has to be preserved at all costs. Such a trade has to be handled as if it had been started at the last intermediate waiting place, irrespective of the level at which it was originally taken on. Nothing is more fallacious than the common idea that because a fair, or even a large profit exists, a fraction more or less, or even a point more or less, doesn't matter now.

It has already been pointed out that the smaller details of price and volume changes, as they occur, are essentially miniatures of the larger moves. In considering prices for the purpose of diagnosis it is not any particular eighth or quarter that is significant, but the areas, i. e., ranges of prices within which more or less numerous horizontal fluctuations occur. These indicate, naturally, that stock is passing from hand to hand at that level. There is the possibility that a turning point is in process of development. Moreover, a move may end at either the hither or the further edge of the succeeding area. It is necessary to assume, for safety's sake, that the first extreme price level reached is the further side of such area.

For example: A stock, having started from lower down, rises through 60 and makes 61, and various fluctuations occur around, and close to that price range. The real significance is, not that the price has reached 61, but that a temporary trading area having been established, the trader must consider the possibility that a distribution area may be going to develop between, say, 58 and 61 rather than between 60 and 63.

If only a narrow profit exists between 60 and 61 the trader must act as if the diagnosis for a further advance had become doubtful already. A small profit produced by a correctly forecasted move must be conserved at any cost, because the trader has made a correct guess and it is unpermissible to let the fruits of a good guess get away from him. But if a large profit exists, and he has grounds for anticipating considerable further advance, he should leave his stop, in the case cited, at, say, 58⅞ (on the two-point "follow-up" principle) until he has cause to change his diagnosis.

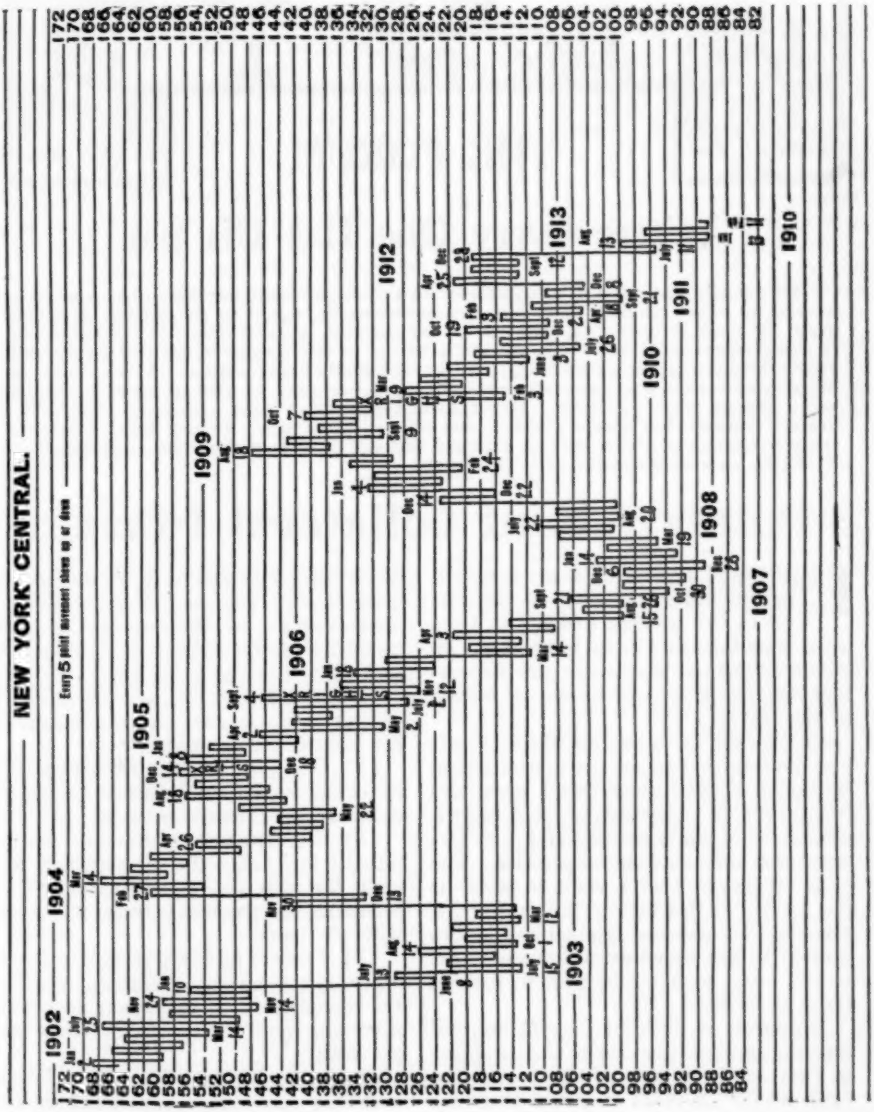
Speaking generally, every halting place in the course of a swing must be treated as a new trading area, from which the existing commitment is assumed to have started, and action taken on that assumption.

A very common—and pernicious—misconception of what trading is, is to regard a trade, especially a successful one, as standing alone. For example: A stock is bought, a rise comes, the trader "takes his profit" and then, so to speak, goes out of business for the time being. As a matter of fact, there is no such thing as "taking profits" in this sense during the course of a trader's working season. He is to get into a stock and out again, in again and out again, just as often as his method of diagnosis dictates, quite irrespective of the results of any single trade. A series of trades in one direction simply ends when he gets no further indication to resume it. He may have made only one trade in the course of a swing, or may have gotten in and out many times, temporarily, during its course. He does not know, when he closes a trade, whether it is to be the last trade of that swing or not. When his diagnosis reverses he then knows it, and not till then.

Unless a trader continues to regard himself as being simply on the lookout for the next proper chance to make a trade, quite open-minded as to what the direction of that trade is to be, and acts on every indication he gets, he may miss the real, big move altogether, after taking one or more merely preliminary scalping profits.

I have now discussed some of the many points as to which traders seem to have misconceptions or definitely wrong ideas, and the process could be continued to any length. Enough has been said, however, to make it plain that every action taken by a trader can have a logical reason, founded upon sound principles, to the exclusion of mere guess work. And it is certain, to my mind, that no action is justified unless it be so based. Moreover, the principles of trading are not abstruse, and the material to be studied easily accessible. There is nothing about the whole subject, as a matter of study, that is in any way beyond the reach of any intelligent man who is willing to work.

Putting knowledge of principles into successful practice is another story! The most important point of all remains, and is, unfortunately, incapable of helpful discussion. It has been comparatively easy to show that trading can be based upon a few logical principles, and that the formulation of a method of practice in conformity with them is within the reach of intelligence and industry. But there are many intelligent and industrious students who, somehow, fail to make good at trading. The cause lies deeper than any principles. It is inherent in the nature of the trader himself. The real obstacle to success is the inability, which most people seem to find insuperable, to carry out a consistent, logical plan with a persistence that is unconquerable, and with undeviating, methodical regularity. Therein lies the real secret of success.—B.


NEW YORK CENTRAL.
Every 5 point movement shown up or down

THE FORUM

Where Every One Has His Say

[We invite our readers to contribute to this department anything that may be of interest to other readers, or to ask any questions in regard to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you disagree with us or with any contributors to this magazine, we will gladly print your criticisms (space permitting), and we welcome all suggestions. If you find anything in our pages that especially appeals to you, we shall be glad to know it, so as to get a line on what you want. Never mind the style of your comments—this isn't a literary contest—but please write on one side of paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of Magazine of Wall Street.]

Points About Collateral Margin

I RECENTLY deposited some securities as collateral with my broker. From the articles which you have been running in THE MAGAZINE OF WALL STREET I was under the impression that this was safer in case of failure of the broker.

At the time of depositing these securities the broker handed me a contract to be signed which stated that I gave him full power to hypothecate these securities. I have made inquiry and I understand that this is a general practice. The point, however, that I want to know is this: Should this broker fail during the time that my account is open and before failing he had hypothecated these stocks to the bank, would I be able to reclaim these securities?

It appears to me that I could not and that the securities belong to the bank and in case of the failure of the broker the bank would sell these securities that they are holding on the loan. If I am correct, I can see no advantage in depositing securities instead of cash on a margin account with a broker.—R. M.

You are right in supposing that the banker has the first claim on securities hypothecated to the bank by the broker, even though you may have retained a memorandum of the number of your certificate so that you can identify it in case of the broker's failure.

As we understand it, the rights of the parties to the broker's assets in case of his failure are as follows:

(1) The bank has the right to satisfy its claim out of the proceeds of the securities hypothecated with it.

(2) The broker's customers who habitually buy and sell their securities outright for cash have a prior claim to such securities as they can trace into those with the bank.

(3) Traders on margin, together with other miscellaneous creditors, share in the distribution of the assets remaining after the two above classes have been satisfied.

However, Lindsay Russell, a lawyer who has had much experience in this line, said in an article in our magazine in March, 1910:

"There are cases even where the margin itself may be recovered by traders. This, of course, does not apply to deposits of money for margin, as that de-

posit would in the usual course be credited to the customer's account, and the customer would be then a general creditor only to the extent of his balance. A decision arising out of a recent failure in this district holds, however, that a deposit of securities as margin and security against loss, under a receipt and agreement which does not contemplate a sale or disposition except in the event of loss, does not create the ordinary relation of debtor and creditor, but constitutes a pledge, and that if these securities are not sold by the broker prior to his bankruptcy they may be recovered by the customer from the trustee in bankruptcy. In this case the securities deposited as margin were repledged by the broker and later returned to the trustee by the pledgee unsold, and as they were deposited as collateral on account and the claimant was not indebted to the broker, the court held that the stock should be returned to the claimant."

In another article he said, in regard to margin customers: "If the securities put up as margin, or the securities purchased by the broker for the customer, come into the hands of the broker's receiver, the customer, by paying all indebtedness due the broker, with interest in full, can obtain his securities from the receiver."

The advantage of depositing securities with the broker and retaining a memorandum which will enable you to identify such securities is not very great, as compared with the customary deposit of cash. But in case of failure you may be thus enabled to trace your securities into the pledge hypothecated with the bank and thus to obtain an advantage over the ordinary margin trader in case your securities have not been sold by the bank but come into the hands of the receiver after the satisfaction of the bank's claim.

Income Tax on Stock Profits.

Can you give your readers some simple form of bookkeeping to enable them to keep the sum of their stock transactions so that they may comply with the income tax law? Also advise me whether a stock carried at the end of the year but still unsold shall be entered in the tax statement as showing paper profit or loss according as the quotation on the last of the year may indicate such profit or loss.—G. M.

The Treasury Department has just ruled that the income tax payer may take his choice of two methods of reporting his income:

He may keep his accounts in such a way as to show neither profits nor losses from his purchases and sales of stocks and bonds (aside from dividends and interest received on them) until the securities are actually sold. In this case, when the securities were sold he would add to his income for that year whatever profit had been made or would deduct any losses.

The second method is to take an inventory of the value of his stocks and bonds at market prices at the end of each year and to credit his income account with any increase in value during the year or charge it with any decrease in the value of the securities.

The Treasury Department does not express any choice between these two methods. They would, of course, amount to the same thing in the end. It is merely a question of bookkeeping and some investors will prefer one way and some will choose the other.

As for a form of bookkeeping, all that is necessary is to record all purchases and sales, showing amounts paid or received, with dates, and, in case the second method is adopted, to make and record an inventory of values on December 31 of each year.

Delivery of Bonds Bought.

How long should it take a broker to deliver to a customer, who has paid cash for it, a bond 10 shares Erie R. R. gen. 4s?

If your broker is in your city or New York he should be able to deliver your bond within three or four days after it is bought. If there has been any further delay than this, you had better take the matter up with him, and unless the bond or an explanation is forthcoming immediately, tell him that you will place the matter in the hands of the authorities. Your next move would be to call on the District Attorney. If your broker is a member of the Stock Exchange he will undoubtedly be able to explain matters to your satisfaction.

Grades of Copper.

I would like to have an explanation of the different grades of copper quoted on the enclosed slip so I can understand what it means.—W. K.

Lake copper is found pure in the rock in the vicinity of Lake Superior and is tougher and stronger than copper made by the electrolytic process. For this reason it sells at a slightly higher price.

Electrolytic copper is manufactured from ore by suspending it in an acid solution and disintegrating it by an electrical current, re-

depositing it upon a plate without the impurities. This grade of copper has higher electrical conductivity than Lake copper.

"Standard" copper is the term used in London for the grade of copper represented by the copper warrants traded in on the London Exchange. In America it means the grade traded in on the New York Metal Exchange, but as there is now practically no business done on that Exchange in copper, the term "Standard" is unimportant on this side. Bid and asked prices for so-called Standard here are likely to be one cent or more apart.

Bargain Indicator.

I have been reading your magazine with a great deal of interest. I am not an investor at present, but merely a student. I have been interested in business conditions and investments for several years and I feel confident in saying that your magazine is without doubt one of the best papers on the subject that I have ever read.

I am interested more especially in the table "Bargain Indicator." How do you arrive at the result given in column 2, headed "Div. yield on pres, price"?

How do you figure the percentages given in the columns under the title "Earnings on par for fiscal year ending on any date during —"? In other words, what figures are used in arriving at the result?

How do you arrive at the result given in the column headed "Earnings last fisc. year on present price"?—W. P.

"Dividend yield on present price" is simply the per cent. of return you get on your money if you invest it in a stock at the price given under the heading "Present Price" at the right of the table.

The figures under the heading "Earnings on par for fiscal year" are arrived at from the income statements of the different companies as given in their annual reports. That is, after interest charges on bonds, depreciation, special reserves, etc., are deducted from net earnings, you have left a balance which is applicable to the stock. This balance amounts to a certain per cent. on the total amount of stock outstanding. This is the per cent. which is given under the above heading for each stock included in the table.

The last column headed "Earnings last fiscal year on present price" is derived from the two preceding columns. For example, the earnings on par for Erie common in 1913 was 4.3%. This is equivalent to 13.9% on the price of 31. These figures are taken from the February issue and are obtained by dividing 4.3 (add 00) by 31.

General Motors.

I have some General Motors. What is the cause of its recent sharp advance?—J. T.

Probably its big earnings in proportion to price. It has led the "Bargain Indicator" list of industrials for some months. It sells low in comparison with earnings because investors doubt the permanency of the big profits in the automobile business.

Excess Deposits.

In an early issue, I wish you would explain how you compute excess deposits—by using figures published in bank statements so we can follow your reasoning and method of figuring. I have read your articles, but this point is not clear to me and to some others.—M. O'L.

In regard to excess deposits as shown on the diagram published in connection with the Market Outlook each month, we do not know how to explain the subject more clearly than it is explained in the book entitled "Investing for Profit." This book contains the series of articles which appeared under the same title in the magazine. Two chapters are devoted to the discussion of the New York bank statement, and the method of computing excess deposits and allowing for seasonal variations is fully explained.

Commercial Paper Rate.

I read with great interest the article about commercial paper, the rise and fall of commodity prices, etc., in the series on "Forecasting Business." This article was so very good that I wish to suggest that you embody part of it in the "Market Outlook." I think the cost of money is the greatest agency in putting the market up or down. It seems to me that the commercial paper rate reduced to a non-seasonal average would prove of greater interest and value to your readers than the amount of surplus reserves in the banks. Therefore I suggest that you eliminate the movement of surplus reserves from the chart and substitute the non-seasonal average of good commercial paper, which is in my opinion more important than the amount of surplus reserves.—C. Y.

It is very gratifying to us to receive such a letter as yours, showing a thorough and discriminating appreciation of what we are trying to do.

Your comment in regard to the study of the rate on commercial paper is very much to the point and will be given careful consideration. We cannot say at the moment whether it will be practicable to follow out your suggestion. Would like to hear from others on this point.

How a Margin Deposit Works.

I would like to have an example of a purchase of stock on margin. For instance, I purchase 100 shares of Atchison at 100, with a deposit of $1,000. Should the price decline to 95 I would be notified that my margin would be too small to protect the stock from being closed out, and that a selling or stop loss order would be placed by my broker when the stock reached 92. How would you go at it to figure it out? I am not very well posted on investing, but I

am reading all the time and trying to learn?—C. T.

A deposit of $1,000 on 100 shares of stock bought at 100 would protect your purchase down to the price of about 90¼. You would of course be charged ⅛% commission for buying and ⅛% for selling and there would be some interest charges on the amount of a little over $9,000 which your broker lends you in order to pay for the stock in full. There would also be a tax of $2 on the sale. Your broker would consider all these items and would ask you for an additional deposit if the price of the stock should decline three or four points. He expects you to *keep* about 10 points margin good.

He would have the right to use his best judgment in regard to the sale of the stock in case you did not deposit additional protection when requested. In ordinary markets he would probably not sell your stock until your deposit was practically all exhausted—possibly at 90½ or some such figure. But he must first notify you that he intends to sell at a certain time and place or it would not be legal for him to sell. You have nothing to fear if you keep your margin up to requirements.

The way to figure it is as follows: Every point that your stock declines means $1 on each share that you hold. If you have 100 shares your deposit is exhausted at the rate of $100 for every point that your stock declines.

We suggest that you read "The Work of Wall Street" by Pratt, price $1.37 postpaid, or the "ABC of Wall Street," price 66 cents postpaid. We have both these books in stock and they will enable you to understand the machinery of trading in stocks.

Stock Market Statistics.

Would it not be a good idea to put in back part of your magazine the following:

1. Daily sales for month.
2. Dow Jones averages for Industrials and Rails, as follows:

	12 Ind.	20 Rails.	Daily Sales.
Feb. 1.......	82.20	107	366,000
" 2.......	82.10	107.10	300,000
" 3.......	81.65	106.50	265,000
" 4.......	81.15	106.85	320,000
" 5.......	81	107.15	400,000

This is an invaluable reference to students away from the market.—W. McK.

The statistics you desire, together with others equally important, are included as a part of our Trend Letter Service. Probably you are familiar with this service. If not, we shall be pleased to give you full information in regard to it. (If any other subscribers would like these figures to appear in the magazine we should like to hear from them.)

From a Trend Letter Subscriber.

I have watched daily fluctuations for 20 years or more, and have traded "some." Made plenty of money, but sunk it in real estate, business, etc., and have concluded the safest for me is the stock market.—H. P.

Your experience is by no means unique. We have met a good many men who can and do make money by investing in active listed stocks—standard dividend payers which always have a good market—and then have lost all their profits and more too by outside investments either in real estate or in private businesses or in the stocks of little known companies. Oftentimes they have been induced to make these investments by friends or because they thought that they knew the exact position of the companies.

The public hears a good deal about the man who has saved money for years and then loses it all by investing in stocks, but little or nothing is ever said about the other side of the question—the man who makes money in stocks and loses it in other and more hazardous fields.

Avoiding Risk.

I shall be abroad for some years. My broker buys and sells on my account, and holds shares which are not transferred, and cash. If the broker failed how would I stand, and what is best thing to do to avoid risk?—Tango.

If, as we assume, you are going to cable orders to buy and sell through your broker, you will stand in about the same position as though you were in this country, except that you may not be quite so closely acquainted with your broker's affairs. The best plan to avoid risk is to select a brokerage house of such standing that you have no fear of failure. In regard to this matter we suggest that you read the article in the February issue entitled "The Safety of Customers' Accounts."

However, if you wish to take additional precautions you could deposit stock certificates standing in your own name with your broker to serve as collateral margin, keeping a memorandum of the numbers of such certificates. This would leave you in a little better position in case of failure than if you used cash margins.

If you are an investor, buying and selling for cash, you could have your bank or trust company do the buying and selling for you.

Using Profits as Margin.

I am carrying long stocks in which I have a liberal profit. Can these paper profits be used as additional margin, or would I have to close my trades first so that my account would show a cash profit? The stock in question is So. Pac., bought at 86⅝ and 90⅝.

You can purchase an additional lot of stock to just as good advantage and with the same safety by allowing your present trades to remain open, as you could if you were to turn your present profits into cash before making the additional purchase. That is to say, your broker in figuring your account will take into consideration the

profits in your present trades. He will consider all your holdings of stocks at the same time and will not call upon you for additional margin until your margin falls below the required ten points.

Not Exactly Correct.

It is frequently stated that the stock market is "unbeatable." It is also stated that more people lose money than make money in the market, and that "they will get you sooner or later—they always do."

In trying to locate the cause for the difficulties involved, I have come to the conclusion that the fundamental reason is that "beating" the market means BEATING OTHER PEOPLE. It is a case of being smarter than somebody else.

For instance, Union Pacific closed tonight at 157. We will assume that some one believes it will sell next week at 162. He accordingly buys at 157. But does the man that sold to him believe the price will be 162 next week? Certainly NOT, because if both believed the price would be 162 next week the owner would NOT sell for less than 162.

Aside from cleverness, LUCK may favor a trader sometimes, but luck is not likely to be a continuous factor in his favor. One may have an idea and just be LUCKY enough to try it out when it works, whereas at another time it would not work at all.—G. B.

Your statement is not strictly correct for the reason that when a speculator makes a profit in stocks he does not necessarily cause any other speculator to lose. He may be merely participating in the permanent growth of some property—thus getting a share of the increased wealth naturally created.

Of course it is true that, in a general way, those who have the best knowledge of conditions are able to make more money than others and oftentimes their profits come in part from the losses of those who have not properly informed themselves in regard to the business before entering the market. But it is knowledge, science, experience that makes a successful trader—not luck.

Book Reviews

The Status of Bonds Under the Federal Income Tax. Issued by Standard Statistics Co.; 153 pages, bound in cloth, price $3.08 postpaid, including supplement to be issued in March covering an additional list of about 2,000 more bonds. (For sale by Magazine of Wall Street.)

This book contains a list of over 4,000 bonds, showing whether the income tax is to be deducted from the coupons or not. An additional list of 2,000 more bonds will be issued as a later supplement. The volume contains the full text of the Income Tax Law and a digest arranged in such form as to be more easily understood; also, the rules prescribed by the Commissioner of Internal Revenue. The list of bonds is divided into Railroad, Public Utility and Industrial bonds, arranged for ready reference and showing the clause of the law which applies in each case. Practical suggestions are included to individual bondholders. A valuable handbook for the investor.

Scientific American Reference Book, compiled and edited by Albert A. Hopkins and A. Russell Bond. Size, 5¾ inches by 8 inches; 608 pp., 1,000 illustrations, price $1.62 postpaid. (Munn & Co.) For sale by the Magazine of Wall Street.

The 1913 edition has been thoroughly revised and brought up to date, which has necessitated the correction of more than half of the pages, in many cases new pages having been substituted.

It is a handy, compact, reliable and up-to-date compendium for every-day reference, containing a remarkable aggregation of facts, statistics and readable information along industrial, commercial, scientific and mechanical lines of interest to everyone. It contains over 75,000 facts and is illustrated by about 1,000 engravings, many of them being diagrammatic comparisons. A great deal of the information cannot be found elsewhere without considerable trouble and inconvenience.

Following is a list of the chapter headings:

Part I.—Statistical Information.

I.—Population and Social Statistics. II.—Farms, Foods and Forests. III.—Mines and Quarries. IV.—Manufactures. V.—Commerce. VI.—Merchant Marine. VII.—Railroads. VIII.—The Panama Canal. IX.—Telegraphs and Cables. X.—Wireless Telegraphy. XI.—Telephone Statistics of the World. XII.—Post Office Affairs. XIII.—Patents, Trade Marks and Copyrights. XIV.—Armies of the World. XV.—Navies of the World. XVI.—Aviation.

Part II.—Scientific Information.

I.—Chemistry. II.—Astronomy and Time. III.—Meteorology. IV.—Machine Elements and Mechanical Movements. V.—Geometrical Construction. VI.—Weights and Measures. —Index.

Poor's Manual of Railroads for 1914 (47th annual number); 2052 pages, about 200 pages more than last year. For sale by The Magazine of Wall Street; price $10, delivered.

This well-known standard Manual is de-

voted entirely to steam railroad securities. A special feature this year is the information given in the Manual, showing whether or not interest on railroad bonds is payable without deduction for the United States Income Tax. This is the first publication to give this important information in practically complete form.

The Manual contains many other new features, including about 500 new comparative tables, and new analytical tables, all contributing to help the investor to form an opinion of the value of railroad securities.

The Manual is issued about one month earlier in the year than any previous edition. It is to be followed later in the year by the Manual of Public Utilities and the Manual of Industrials. The three Manuals together cover the entire field of corporate investment in America in perhaps a better and more complete manner than any other publications.

Investor's Blue Book for 1914. Edited by Geo. J. Holmes, assisted by the "Investor's Chronicle" staff. (London, Chronicle Offices.) Cloth, 380 pages, size 9 x 10. For sale by Ticker Publishing Company. Price $1.50 postpaid.

This is the eleventh year of this very useful compilation. Over seven thousand companies are listed, mostly foreign, but including some of the principal American corporations. Under each company a great deal of information is condensed into small space covering capitalization in full, general features of balance sheet, income account for several years, dividends if any, character and condition of business, prices of securities during preceding year, etc.

To the above statistical information is added an "Opinion," in regard to the attractiveness of the company's securities, prospects, etc.

A very comprehensive manual, useful to all who are interested in foreign securities.

Moody's Analyses of Public Utilities and Industrials for 1914. Cloth, 195 pages, price $15 net. (Analyses Pub. Company.) For sale by Magazine of Wall Street.

The method employed in this new volume is in many ways original. The idea adopted by Mr. Moody in his annual volume on steam railroads, of rating the securities on the same principle that the mercantile agencies rate credit, is also applied in this volume. Thus the very highest grade bonds and stocks are given an Aaa rating, the next grade an Aa rating, and thus all down the line until the purely speculative securities are reached, where their character is indicated by low ratings. The arrangement of the book is such that in this way one can at a moment's notice turn to the description, classification and rating of any security in the volume. There are approximately 4,000 different bond and stock issues rated, and a wealth of statistics in regard to them has been collected.

The book covers in a comprehensive way the entire field of public utility corporations, including the large number of modern holding companies and their subsidiaries, as well as all the independent operating companies in this line in the United States and Canada. All the industrial manufacturing and other large concerns in the stocks or bonds of which there is any wide public interest, are also described in this volume and their securities classified and rated on the same principle as in the case of the public utilities.

This publication has no connection whatever with the so-called Moody's Manual. Mr. Moody, who founded Moody's Manual a great many years ago, has had no connection with the latter for the past six years, but has concentrated his efforts on the publication of the two volumes of Moody's Analyses of Investments, one volume covering the steam railroad field, and the other, just issued, covering public utilities and industrials. It would be difficult to praise these books too highly.

Metal Statistics for 1914. Cloth, 286 pages (published by American Metal Market Co.), for sale by Magazine of Wall Street. Price, 56 cents postpaid.

This well-known manual appears in its seventh annual edition, compiled with the same care and completeness as in previous editions. A number of additions have been made. The manual is recognized as an authority in metal trades and so well known that no extended comment on it is necessary. The book is pocket size, but an immense amount of valuable matter is condensed into it.

The Income Tax Law of the United States of America; Analyzed and Clarified by Albert H. Walker, of the New York Bar. Stiff paper binding, 132 pp., price $1.08 postpaid. For sale by the Magazine of Wall Street.

The income tax law is long and complicated and obscure. It is very hard to analyze and clarify. Mr. Walker has endeavored to learn all the meanings of the income tax statute, and to restate those meanings, in a series of perfectly plain sentences, paragraphs, sections and chapters. To give the public the benefit of his knowledge and his work, he has published this pamphlet, which also contains, in an appendix, a copy of the official text of the income tax statute itself.

The pamphlet has endured the scrutiny of several keen critics, without disclosing any substantial omission or any other important error in Mr. Walker's work. That is a work which, if done by Mr. Walker for any single client, would have cost that client $5,000.

The size of this publication is 9 inches long by 6 inches wide, and ¼-inch thick; and its weight is half a pound.

It is the most careful and thorough analysis we have seen, and well worth its small cost.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until late in 1913, when purchases were recommended near bottom prices. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.—EDITOR.]

THE stock market has for nearly a month maintained its recent advance, without any important reaction. Prices have fluctuated over narrow limits and the volume of transactions has gradually become smaller. Individual stocks, on which earnings were small or which were affected by especially unfavorable conditions, have shown sharp declines, but the general level of the market has shown no important change.

This must be considered as an entirely natural condition. The great development of the New Year was easy money and prices moved up to discount that condition. Having done so, they came to a pause, awaiting something further which might either stimulate a renewed advance or precipitate a reaction.

* * *

THERE has been no important change in the condition of the New York banks. Surplus reserves are abundant and there is a substantial excess of deposits over loans, without any change in either item from last month that is important enough to influence the situation. We therefore omit the graphic dealing with New York banking conditions which has usually appeared with this department, and include in its place one showing the Bank of England discount rate since 1900.

The Bank of England made two reductions of the discount rate during January, bringing it finally to three per cent., where it remains at this writing, although there is talk that it may fall to two and one-half soon. It will be noticed that two and one-half per cent. has been the minimum, and has been touched in only three years out of the last fifteen. If it is again reached this year, that fact may be accepted as evidence of a thoroughly liquidated position in the world's money markets.

It is not likely, however, that the English bank will reduce its rate below three per cent. as long as the French bank holds to three and one-half. It is rare that the French rate is the higher. Usually it is one-half to one per cent. lower than London.

It is cabled that Paris intends to accumulate a further supply of gold. There is a possibility that gold may become available through the release of hoarded money in France itself; but this event has been long waited for without results. If not, then Paris will have to go into the world market for the gold, and it is not at all probable that the Bank of England will reduce its rate further while this possibility is imminent.

* * *

AS the English rate had been maintained at four and one-half and five per cent. for nearly a year and a half previous to the January reduction—a longer period of high rates than at any other time since 1900—it is now natural to expect a considerable period of low rates.

The law of action and reaction applies in the money markets with just as much force as in the stock markets. A worldwide period of tight money, such as occurred in the latter half of 1912 and throughout 1913, cannot be recovered from in a few months.

Moreover, there is still a possibility that renewed hoarding of gold may be attempted by other European powers be-

sides France. In that case the English rate would, of course, have to be advanced again, and the real period of low rates would be postponed to a still later date. Elsewhere in this issue will be found an interesting discussion of the world's gold position.

* * *

THE abolition of holding companies, as a part of the administration's anti-trust programme, merits more attention than it has received. At this writing the exact manner in which this will be sought to be accomplished has not been made public, and very likely has not been fully decided; but there seems to be no doubt that the president will insist on a sincere effort to eliminate the holding company from American business.

Considering the historical purpose of the corporation, there can be no doubt that President Wilson is right in principle. The device of the corporation was adopted for the purpose of enabling a large number of persons to combine their capital in the handling of any business, so that better results might be obtained.

Evidently the holding of the stocks of one corporation by another is not necessary to the accomplishment of this purpose. It is a new and entirely different proposition and has to be examined on its own merits. It has no standing in precedent.

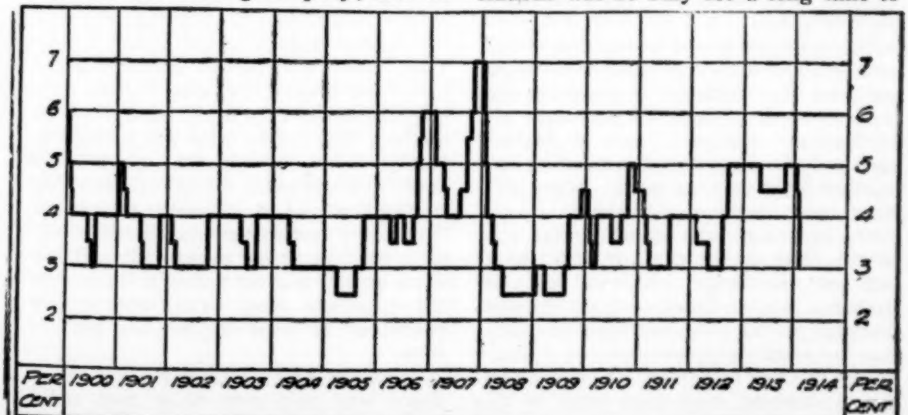
The president and his party are committed to the idea of opposing this new device of the holding company; and we may therefore expect that they will endeavor to frame laws which will make it impossible.

Few realize what a change this would make in the management and control of the business of the country. The Union Pacific, for example, in spite of the fact that it has been forced to divest itself of Southern Pacific, and is endeavoring to get rid of the Baltimore & Ohio which it received in exchange from the Pennsylvania, is still a gigantic holding company, having in its treasury big blocks of New York Central, Baltimore & Ohio, Illinois Central, Chicago Northwestern and other companies.

Southern Pacific is the owner of a great number of sub-companies of various kinds, which operate throughout the territory covered by that road. In electric railway, electric lighting, gas and other public utility stocks, the holding company has become very important—in fact, it is almost the accepted form of financing in that field.

Among the industrials, a brief examination shows that only a few of the big companies are free from the device of the holding company. Practically all of those great companies upon which the attention of investors is so largely concentrated, are the owners of the stocks of other corporations.

It is clear, therefore, that if the administration is going to make a clean sweep in this matter, we have something new before us. Our big business organizations will be busy for a long time to



BANK OF ENGLAND OFFICIAL DISCOUNT RATE.

come in endeavoring to straighten out the legal tangle in which they have become involved.

* * *

IT was, of course, to be expected a period of assimilation would follow the recent advance in both stocks and bonds. It is easy to see that the markets are not ready for a steady and continued advance.

It hardly seems likely that bonds will show any great reaction from the current level. Whatever the problems with which business may have to struggle, the money market will be easy for a considerable time to come; and, of course, the value of the best bonds, on which the interest is sure to be paid regardless of the condition of business, depends primarily upon the money market.

We cannot speak with such assurance in regard to stocks. There are possibilities of a considerable reaction from the current levels in case trade fails to respond promptly to the impetus given it by easy money. The investor who owns the best stocks, on which earnings are liberal, need feel no anxiety if prices should temporarily decline. He has the best possible of sound conditions under him—low money rates and a solid banking position.

* * *

FOR several months we have seen in progress a sorting out of the sheep from the goats. The market has moved as a whole much less than usual, while certain stocks have declined sharply and others have advanced with equal rapidity.

It is not at all likely that this condition has yet ended. Hence the investor should still take special care that he does not become involved in any doubtful securities. He should make his selections with unusual care, so that he may be able to sleep soundly even though the period of business depression should prove to be more prolonged than is now anticipated.

The Iron and Steel Situation

LIKE the lifting of a fog the incubus that hung over the steel and iron situation for several months seemed to disappear. In December the mills were operating at something like 45 per cent. and certainly not more than 50 per cent. on the average; in January they worked up to around 60 per cent. and in the spurt that came late in January and early in February the average rose another 5 per cent. or more. Some mills have been working at close to 70 per cent. It took about a month for the mills to rise from 50 per cent. or under to 65 per cent. or better. This is not altogether a strange occurrence for the steel business for the same swiftness of change has occurred in previous times. But it serves to show how quickly a right-about-face movement may take place in this particular industry.

It came almost without warning. The steel men knew various factors were operating to make a betterment of the business in the near future and they expected the business to take on a brightening aspect steadily after a few weeks. They knew that stocks in the jobbers hands were very low, that buyers were only taking material in the hand to mouth method, that prices were low enough to justify better buying, that the average needs of the country called for a working of the factories at a greater percentage than fifty, that money and credit conditions were becoming easier daily and that there existed a great potential demand in the railroads who have been almost penurious in their buying for quite a time.

With the stage set after this fashion there was only one thing that could happen—and that did occur. The swiftness of it was the astonishing part. It

came so quickly that even those in the business began to debate the issue. There are yet a number who are not willing to accept the indications over the past six weeks as anything more than a temporary uplift. The evidences, however, are too strong against such a conclusion. The trend in business seems to be definitely upward. It may go slower, that is, ratio of production to capacity may not jump 15 per cent. in a month as it practically did from the middle of January to the middle of February, but will probably move along in the direction already set.

What seems to have started the movement quite as much as anything else was the sudden collapse of money rates. This gave the needed fillip to sentiment and away went the security markets and along with them the iron and steel business. It is the consensus of opinion that this favorable aspect of the money market will continue for some months. While general business has not been going in the right direction for a few months soon the ease in money will tell and then there will be the groundwork for increasing the operations of the steel plants from 65 per cent. to perhaps 90 per cent. or over.

In our last issue we expressed the possibility that the high operating ratio should be reached by the latter part of the year. From the looks of the steel business now this may be reached by early summer. The most rampant optimism expressed of late on the immediate future of the business came from one of the high officials of the Carnegie Steel Co. He predicted three weeks ago "a long spell of sound, normal, substantial prosperity for the whole country. Within 60 or 90 days the steel mills of all the Pittsburgh district will be running almost and possibly quite to their full capacity. In a couple of months they will be working to 80, 90 or 100 per cent. capacity." If this prophecy comes true this Utopia in the trade will be reached by the end of March or the middle of April.

Better market conditions generally bring about better price levels. This has happened this time also. At this writing the average of steel prices has risen about a dollar a ton since a month past. If anything like the improvement comes about in two months prices will go up almost by spurts since the manufacturers are not going to load up on low prices, but are going to keep prices moving also. What does that mean? It means that the howl about the steel companies going through the year under tremendously reduced income cannot be all so. The jump of one dollar a ton so far means a good deal already. Now let the demand grow keen and everybody come tumbling in for their requirements and the income accounts of the companies will grow better looking as time goes on. So, as this aspect of the question goes, the steel companies never were in a much better position since, in the very dull time they have been doing business on the very poor prices, whereas in years gone by they sometimes were loaded down with big business at low prices. Now, as business comes in prices go up. Experience has taught them many things. Among these was, not to rush for business when the prices were at the bottom. This time they played a tug-of-war with the consumer who has been holding back, thinking always he will get lower and lower prices. They bid fair to win out easily.

There are a lot of interesting conditions in the steel trade at the moment. Here is one of the best. The railroads have been holding back strongly. Normally they buy between 300 millions and 400 millions annually. They seem to be waiting for their rate increase. In the meantime the general buying is boosting the steel market. If the railroads do not get in soon they will find the market up so far that the additional cost of material will offset a big part of the rate increase they are asking for. They usually get in strong on low price levels. They have neglected it this time. They will get in very soon it is intimated. This, with the normal spring buying, will constitute one of the best factors in the trade.

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

EASE in money all over the world is the strongest factor making for betterment. Bank of England rate twice reduced in the month of January to 3%. Reductions also in Germany, Belgium, etc. Paris still held at 3½%, which is relatively high. Total bullion in 12 leading European banks is now about £570,000,000 against £512,000,000 last year.

Money rates at New York are low—call money below 2%, and some commercial paper placed as low as 3¼%. Condition of New York banks very strong.

All National Banks of U. S. show improved conditions, as of January 13, date of last Comptroller's Report. Per cent. of reserves was 21.7% and per cent. of cash to deposits 16.2%. This is better than last year or 1910, but lower than other recent years.

U. S. Steel's unfilled tonnage showed an increase during January, the first for over a year. This should at least indicate that orders are down to the minimum, so that any pronounced change is likely to be for the better.

Copper statement showed big exports and improved domestic deliveries, with a consequent decrease in stocks on hand. Price of the metal now a little firmer.

Interstate Commerce Commission takes a strong stand against switching charges being allowed to manufacturers. A change in this respect would help the roads.

Liberal increase in sales of bonds indicates reviving investment demand—something which has been long lacking. Sales of bonds on the Exchange during January were $119,897,000 against $72,343,000 previous year.

New securities offered have so far been only moderate in amount, which gives investment markets an opportunity to recover without being swamped by underwritings.

Better business sentiment throughout the country is a notable feature. Business men are determined to do business if possible.

Removal of embargo on shipment of arms to Mexico will doubtless tend to hasten some sort of solution of the troublesome condition of that country.

Unfavorable

THE administration anti-trust bills are undoubtedly acting as a check on business activity. They embody such important changes in present methods and would require so much splitting up of established companies that a feeling of hesitation naturally results in the minds of those who control the country's "big business."

Delay on railroad rate application by Eastern roads in another cause of hesitation. The roads want to know where they stand before they proceed to spend money for needed improvements and equipment.

The bill to regulate stock exchanges cannot be considered encouraging, though it has some good features. However, it seems doubtful whether it can be passed without extensive modifications.

Accumulation of gold by the French bank, which it is announced will be continued, tends to withdraw gold from the channels of trade. Our new Currency law may, however, make this possible without serious difficulties.

Suit filed to separate Central and Southern Pacific. Many had hoped that the Government would be satisfied to let this matter rest for the present.

Bank clearings show falling off from last year, reflecting decreased business activity.

Business failures as yet show no signs of letting up. Total for January was very heavy in both number of firms and liabilities.

Pig iron prices heavy, although there is a good deal of talk about better business.

Coal trade very slow. The dullness in anthracite is partly due to the mildness of the early winter. Bituminous is in slack demand because of industrial quiet.

Gross earnings of the railroads are running below last year, in spite of the fact that during the period covered by earnings so far given out we were having an open winter over a large part of the country.

Balance of trade in our favor has fallen off considerably. Increase of imports due in part to lower tariff.

Recent Mexican developments unsettling, as tending to involve European nations.

The Cotton Market

Is the Foundation Being Laid for Another Upswing to the 14 Cent Level?

By F. D. L. PRENTISS

THE month of February is usually a quiet period in the Cotton market and this month has been no exception, the total fluctuations from high to low being only about 40 points, the price swinging back to about where it started at the beginning of the month. This being a period of what we might call stock taking in cotton speculation, let us see just where we stand and try to estimate the future.

The size of the last crop we may accept as established at about 14,500,000 bales. There seems to be little question that it is what is known as a low grade crop, a crop in which there is a large percentage of low grade cotton, not spinnable. The best judgment is that there is at least 1,000,000 bales not spinnable, which leaves a spinnable crop of about 13,500,000 bales.

Now what is consumption? The last two years were not what any one would call good years for business, yet consumption last year and the year before ran well up close to 15,000,000 bales, and if the prophets of better business conditions for this year are to be believed consumption is likely to be at least 15,000,000 bales of spinnable cotton, with a crop of 13,500,000 to draw from.

This is what is known in the cotton market as the statistical position, and, to my mind, is bullish. I have found that speculative commitments based on the number of bales in a crop and not on the number of spinnable bales have been unwise and have resulted in heavy losses. I believe that the number of spinnable bales in a crop is the dominating factor, and is more likely to determine the future course of prices than the actual number of bales in a crop. That the Southern planters are not blind to this fact is becoming more apparent every day, as cotton buyers in the South report that the holders of first class white spinnable cotton positively refuse to part with it under 13.50 and sales are being made as high as 14 for extra fine quality.

The high price that planters have realized from this last crop would have a tendency to bring about a largely increased acreage, but for the fact that a consistent campaign of education has made the planter realize that more money is obtained from a moderate crop than from a record-breaking one, and while the prophets of a larger acreage are becoming active there is no evidence yet of preparations for an acreage above the normal.

There is a feeling that this year is going to be a better year for business, and if it is going to be a better year the consumption of cotton is not likely to fall below that of the last two years; that May having fallen from 13.99 in October to 11.71 in this month, a decline of 228 points, should recover at least one-half of this decline. At the same time the speculative public are being educated into the belief that a bull market cannot start in cotton with contracts at or just below 12 cents, while, at the same time, it is admitted that prices are too low to sell short with safety.

Yet, the fact remains that cotton has a very steady undertone, and the decline of the past three months has been stoutly resisted. The rise which began on the 14th of August last with May at 10.88 ran for 37 working days into a rise of 311 points, at a daily rate of 8.40 points. The decline from 13.99 to 11.71 has run so far 110 days, at a daily rate of 2.07 points. The inference from this is that cotton goes up easier than it goes down, and that the odds are now in favor of the speculator who buys on the breaks.

My own view is, that while it is not possible yet to say that the lowest prices have been reached on the down move, cotton purchased at or below the low points of this month should sooner or later show handsome profits, as I believe that the foundation is being laid for another upswing toward the 14-cent level before a new crop is gathered.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
February, 1914	4⅛	3½	27.1	96.1	.....	.....	$35.00
January, 1914	4½	4⅜	27.1	98.0	16.2	102.1	35.11
December, 1913	5¾	4⅝	25.8	102.0	.....	.....	35.03
February, 1913.........	5	5	25.8	99.0	15.6	102.7	34.71
" 1912.........	3⅝	4	27.4	95.2	16.9	103.6	34.61
" 1911.........	4	3¾	27.8	97.5	16.3*	106.4*	34.43
" 1910.........	4½	3½	27.1	98.9	16.0*	101.4*	34.82

*January.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
January, 1914.......	$111,294	$16,230,634	$6,858,814	....	Ex. $49,330
December, 1913.....	87,322	14,675,931	6,675,932	Ex. $5,499	Ex. $49,755
January, 1913.......	50,929	16,266,257	6,927,516	Ex. 11,027	Ex. 63,969
" 1912.......	296,145	15,095,690	6,260,108	Im. 3,226	Ex. 58,859
" 1911.......	84,631	14,494,695	5,963,447	Im. 8,617	Ex. 66,522
" 1910.......	143,983	17,174,732	5,925,656	Ex. 4,031	Ex. 10,791

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro Copper (Cents.)	U. S. Production of Copper (Lbs.) (Millions)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
February, 1914........	8.86	2,624	$13.75	.....	14.6	...	.....
January, 1914.........	8.88	2,623	13.88	1,885	14.3	131	4,613
December, 1913.......	9.22	2,661	13.95	1,983	14.2	138	4,282
February, 1913........	9.46	2,732	16.69	2,795*	15.0	143*	7,827*
" 1912........	8.96	2,613	13.31	2,057*	14.1	119*	5,379*
" 1911........	8.76	2,523	14.25	1,759*	12.2	115*	3,111*
" 1910........	9.07	2,372	17.06	2,608*	13.3	116*	5,402‡

*January. †Last day of mo. ‡March.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Babson's Average 10 Leading R. R. Bonds.	Winter Wheat Condition
February, 1914.......	209,678	....	....	94.3	....
January, 1914........	188,850	....	$37,277,180	92.5	....
December, 1913......	57,234	$43,146,165	34,925,324	90.7	97.2
February, 1913.......	37,260	31,403,534*	19,295,981*	95.5	93.2†
" 1912.......	32,581	27,623,326*	19,945,610*	98.5	86.6†
" 1911.......	155,068	34,472,706*	27,273,559*	98.4	82.5†
" 1910.......	24,975	33,443,030*	24,813,751*	99.8	95.8†

*January. †December.

BOND DEPARTMENT

What Popularity of Small Bonds Means

A Growing Movement of Good for Investor, Banker and Corporation

By FREDERICK LOWNHAUPT, Author of "Investment Bonds"

THE virility in any movement can be fairly judged after it has been under way for as much as three years. By this test the small bond movement shows up to be vigorous. If the indications that it has given during the past three or four years are anything of a phophecy for the future the next five years should see the business developed to a degree of large importance. Two or three houses that have devoted their special attention to this small bond propaganda have found it worth their while to cultivate the investors able to take up the smaller pieces of good investments. All the magazines and papers, financial and semi-financial, have lent a hand in the cause, believing that the time was at hand when the man with one hundred or two hundred dollars or a little more should no longer be the especial prey of the get-rich-quick sharper who had nothing but promises that a hole in the ground called a "mine" or some wonderful invention should return wealth in a short time.

With the disclosure of the fabulous sums lost in ill-advised so-called investment, the hundreds of millions of dollars gathered together by tens and hundreds, seldom in larger amounts, it became apparent that like all good things that are too good to last forever this of mulcting the gullible public of small means had to come to an end. That end is not yet, but is approaching fast. When this became clearly apparent it was also evident that the stoppage of this nefarious flotation of fraudulent or very poor "securities" would create a vacuum.

What would fill this vacuum became the question. It was easy to see that the enormous amount of money often so tragically lost to many hard working people could be the foundation for the development of an investment body that would compare with the celebrated French middle class people. In common parlance it was "up to" some people to look after this new investing public. While these people were buying rubbish through emblazoned circulars and captivating advertising they were speculators or actual gamblers in the fullest sense of the word, though they knew it not.

It took some time to awaken everybody concerned to all these facts, but once it was realized that there were millions upon millions of dollars that this class of people simply would not put into the channels laid out for them, the savings banks principally, the definite movement in small bonds began. How far that has gone may be judged from the fact that there are now in the neighborhood of one hundred issues of bonds obtainable in one hundred dollar pieces and somewhere around one hundred and fifty issues obtainable in five hundred dollar pieces. How strong is the movement in this direction may be judged from the fact that there is now talk (February 10) of

making the new $55,000,000 convertible issue of the Southern Pacific Railroad into $100 pieces in part.

Some of the best bonds on the list are in small pieces. Some uninformed people have had the idea that breaking up an issue into such small pieces meant that it must be sold to the small buyer who did not know a great deal about relative values. On the contrary that aspect never enters into the case. Some entirely different principles govern the division into small pieces. Some of the most excellent railroad, public utility and municipal issues are to be had in one hundred dollar denominations. With the momentum that the movement has already we shall see more and more issues added to the list to which people can subscribe at smaller amounts than the classic one thousand dollar piece.

We shall see the business adapting itself to the great possibilities that it holds in that it will steadily be made easier and simpler for the small investor to put away his modest amount of funds in a way to engender self respect rather than silence and regrets. It is easy enough now, but when the great majority of this class of security buyers have swung definitely into the bond buying ranks we shall see something of the finesse with which the French bankers supply the hundreds of thousands of small people with investments adapted to their means.

The good that all this will do is incalculable. There are many millions of dollars that the middle class people simply will not put into the safe places prepared. They want to buy something that has more life in it than a savings bank account. The only place for it is therefore in small bonds. The element in human nature that prompts people with ample means to be active in the security markets works in this other class of people. Unfortunately up to within a comparatively short time the swindlers were the gainers, since they made up as much small denomination stocks and bonds as the market would take.

But the vogue of the small bond now through publicity and hard salesmanship is putting a new complexion on matters. The future in this field is simply tremendous. The nurture of the small investor is potential with the greatest good to himself, to the corporation whose security he buys and likewise to the banker who handles the bonds. All three realize this increasingly. Let us look at the reasons why it is good for all and what popularity of the small security means.

THE INVESTOR'S BENEFIT.

First and foremost of all the reasons is the one already suggested. It is that the opportunity to buy a small bond reduces or destroys the temptation to put money into questionable mining and other ventures which have attracted so many poor people in the past. This is, in fact, the great reason for the existence of the small bond from the investor's point of view. The average man of small means has a sad experience with securities unless he sets out to be right from the beginning. Thousands of this type have seen the light. They are seeing where their best interests lie.

Second, the purchase of a small bond stimulates an interest in the purchaser in real investment. In this country people who invest try to do their own thinking. Because many of them are untrained or neglectful they lose and then are discouraged.

In Europe the bankers do the thinking for the majority of the small buyers, hence few of them take the active interest that investors in this country show. Investment interest started right continues. The small bond can create just as much intelligent interest as a large block of securities. It works to the investor's ultimate good to have his investment interest started right and stimulated by a good start.

Third, purchase of a small bond through the stimulation of investment interest and the satisfaction derived from getting something worth while enlarges his point of view. His interest is broadened. About his bond he can learn. He can get facts and figures and reputable information. Although things are changing the crying evil among the American investment public is ignorance in investment principles. When the movement in small bonds shall have worked out its larger effects the situation with respect to this aspect of the American investment market will have changed greatly.

Fourth, an investor gets a better income in the small bond with practically as much safety as he gets in the savings bank. This is not said forgetting the great strengeth of our savings banks and the generally superior investment intelligence that controls them. There are so many good small bonds, however, that there is chance for a good debate as to whether the investor is not about as safe in these high class securities as with the bank. What does the bank do? It puts the depositors' money into real estate mortgages and a limited field of high grade bonds. The investor can buy many of these self same bonds in small amounts at the better income than the bank allows him.

Fifth, the investor can diversify his holdings. For the little man who has perhaps from three to eight hundred dollars talk of diversifying his investments sounds big. But it is just this class of people precisely who should be made the safest. If diversification is good for big investors it is better for little ones. The little man may as well begin right. He has ample opportunity to do it.

THE CORPORATION'S BENEFIT.

The small bond "peopleizes" or socializes industry, transportation or government that sells its debt in small pieces. Concentrated control is under the ban. The railroads and corporations today are seeking popular approval. Quite a few are seeing the way to do it through disseminating their bonds into the hands of the plain pleople of small means. It is a little more trouble to make up bond issues in small pieces, but it is a sure road to popular sympathy.

Enlarging upon this idea let us see what it means to spread a bond issue among ten thousand people rather than ten hundred. It means a growing immunity from legislative attack. Witness the present agitation for higher rates for the railroads. As a body the public are not against the railroads' contention that they need more money, yet only a small proportion of the people have an interest in railroad securities. Let the number be multiplied tenfold by the very strong tie of owning some of the railroads' obligations and no commission can withstand the tide for any time. Wide distribution of the small bonds will create an asset of good-will for the corporations that would look big if it could be translated into figures and put into the balance sheet.

The small investor in bonds is to become a power. The corporations that are now looking to this field are gaining big leads in popular estimation. Corporations realizing these facts are seeing that the little investor can only be reached satisfactorily through small denomination bonds. Cheap stocks are not investment. The kind that investors with a few hundred dollars can buy are practically gambles. They are unsatisfactory. They do not beget a self-respect in the purchaser. They do not create an interest in the welfare of the company. They are generally bought with the hope that they will "go up." In a sense they give only an indirect interest.

Small bonds on the other hand may be sold to the employees of the corporation and the people of small means in the locality, thus creating the best kind of good will. This is the theory upon which municipal issues are made into small pieces. The advantages already discussed work out effectively when such public issues are concerned. The popularization of the small bond means a new era for corporations for all these reasons.

THE BANKER'S BENEFIT.

How the banker benefits both directly and indirectly is easy to see. There are at least four good effects growing out of his efforts to scatter the smaller denomination investment:

One: He gets a big, broad clientele taking limited amounts of securities, which is something better than having a few big buyers. The bulwark of the investment business now is the small buyer, the man who buys two, three or five bonds, pays for them and takes them away. How much more will it be when there are ten people who will buy four or seven hundred dollars' worth each added to those who take a small amount of thousand dollar pieces.

Two: The little investor grows to be a bigger one. Nurturing the little investor may mean some big business later on. T'was ever thus. Catering to the man who buys five one thousand dollar

pieces is now an accepted service. The little man who buys four hundred dollars' worth will soon likely buy one, two or three one thousand dollar pieces. He stands for progression just like the other man.

Three: Many little investors collectively take a big amount. The small bond movement in its fullest development means a great investment absorption. It may be something of an inconvenience at the beginning and the individual profit small but the many little profits together make the desired end. After the banker has his organization for distribution perfected, the cost of the service decreases in proportion to the increasing bulk of business handled by that organization.

Four: The wider the field the more rapidly the distribution. With the proper organization it is easier to sell three one thousand dollar bonds than one lump of three. With this wide distribution there is also a tendency toward greater stability in the market conditions around any issue. When the issue is spread among thousands of little buyers it is generally placed to stay. Among a few big buyers there is no certainty that at any time a big block might come out to disturb the market conditions. It is an axiom of the investment business that the more thoroughly the issue is distributed the more stable the position.

Practical Talks to Investors

III—Spread Your Investments Out as Much as Possible

THIS sounds like an old saw—and it is one. But it is not worn out. A lot of people think that the advice of one who made so much of a success of his business as did Andrew Carnegie is thoroughly good and a pretty good rule to follow. They are mostly the people who have not yet learned a great deal of investment wisdom. Mr. Carnegie coined what appeared for a long time to be an axiom. He said: "Put your eggs in one basket and watch that basket." His maxim grew out of his experience purely—and his experience was with a manufacturing business that needed all the concentration of capital, brains and effort possible. His notion was merely a prophecy of the trust idea which has been brought to such a degree of perfection since he spoke.

However well it works in the conduct of a manufacturing business it certainly does not work in the investment of money in securities. It hardly works in many other ways. It is recognized as fundamental in many lines of business that to spread your risk out as thin as possible is the only way to get far away from possible big losses. What do the fire insurance companies do, for instance? In a half dozen ways they work out this principle.

If watching the basket means putting your own time, energy and efforts into a business then probably the rule applies. For under those conditions the fate of the enterprise rests upon the one who puts his money into it. But if watching means nothing more than reading annual reports and other figures furnished long after some period has been completed, then the rule certainly does not apply. What good will watching your investment after this fashion do if others of better judgment or more intimate knowledge of the conditions of a property start early to sell out their holdings and cut away dollar after dollar on the market value of your security? The trouble with that kind of watching is that the investor is watching what is occurring beyond his power to help. The true position therefore is where the safety and destiny of the investment hinges on conditions and circumstances beyond the least control of the investor, the more scattered the risk the better.

The bankers are telling investors to diversify their investments, but the advice is not always heeded. Quite a few put entirely too much of their funds into single investments. They are either too greatly impressed with the safety of the particular security or else are over anxious to get a large return. Or else possibly too lazy to do a little thinking.

There are more arguments why investments should be spread, but of course the principal one is that of scattering the risk. Putting one's investment eggs into one basket, however much that basket is watched, is distinctly bad business. It mav not mean ultimate loss, but very often spells some loss, considerable inconvenience and a lot of anxiety.

Bond Market Topics

NOTHING SUCCEEDS LIKE SUCCESS.

The bond market during the past five or six weeks has been much like the rolling up of a snow ball. It took a long while to get it started, and it started small—just about the time THE MAGAZINE OF WALL STREET gave ten good reasons why it was time to buy bonds. But it gained big momentum quickly and is now going at such a pace and is so big and strong that one might think no one had bought a bond in some years, and everybody on the same day had decided to begin investing again.

The business looked so good to the bankers and the corporations that instead of the investors fighting hard to get in all at once, it is the corporations that are scrambling for the good things and the "easy" money, easy in the sense that it is easily drawn out by good issues. It needed but two or three good issues to start the whole thing, which brought down a flood of business on all the bond houses. Their instant success was the signal for a great awakening among investors so that orders came piling into the houses and the salesmen went piling out in the rush to get there first.

As a matter of fact the salesman that did not get to an investor's office before eleven o'clock on some mornings found at least one rival sitting there. This is no exaggeration. The rush has been tremendous. The investment world seemed to spring to life at the magic touch of one or two successful issues. The market has been a huge success. All the bond men are happy and praying that it will keep up.

The houses have taken good advantage of the situation. They have handed out new things, but have not forgotten to hustle out also the older things that have been awaiting patiently just such an occasion. The game is on. Everybody is playing hard—corporation, banker, salesman, investor. The question is now, How long will it last?

WHAT STARTED THE BOND MARKET?

The unsophisticated and enthusiastic young bond salesmen in the flush of their large sales will tell you that the very great success of the New York State bond issue, when $51,000,000 high-grade bonds were lapped up in a twinkling, started the thing going. This on the theory that all the investment world hereabouts was waiting to see what reception this issue would have and base their conclusions upon that as to the advisability to take up fresh investments.

Well, it looked that way at least, even to the more experienced observer. As a matter of fact this sale was pretty much in the nature of an ice-testing operation. It came about the time that many State sales come, and was allowed to be the leader in the procession, if procession there was to be. To the great joy of the bond fraternity, the ice was found to be very thick.

To keep to the figure, the ice had been forming for some time. The money situation was the ice. No real bond market runs far except on a slack money condition. Money market conditions for the year previous to January were in a great tension all over the world. Early in the year they showed unmistakable signs of easing up quickly and markedly. The big bankers were cognizant of this fact all the time. They knew money conditions were ripe.

Then it was a time to find out, investors felt. To accelerate investment optimism they made sure of a howling success of the State issue. So from the strictly market point of view it was perhaps the State issue that started things. In its broader aspects the market was nearly ripe if not entirely—it proved to be the latter.

By a peculiar coincidence several important matters were settled simultaneously with the marked betterment in money conditions. President Wilson came out with his famous pronunciamento that the war between the Government and Big Business was over and the new Currency Bill became a law. Both of these happenings created a wonderfully better sentiment throughout the whole world and broke down the remaining fears that had helped to hold things in check for a long time.

That the investment ice was very thick was seen very clearly in the character of the bids for the new State bonds. The whole issue could have been disposed of to individuals and institutions alone, let alone the tremendous eagerness of the investment bankers for the bonds.

CONVERTIBLES COMING INTO THEIR OWN AGAIN.

The bond houses that three months ago kept dinning into the ears of their clients the desirability of taking up convertible bonds have all joined the "I told you so" club. One or two of them are very proud of their sagacity in urging people to get into the bonds that would surely show them a handsome profit long before the slower-moving high-grade mortgage bonds struck their stride. And they have reason to be self-congratulatory. All the houses were telling their clients to buy bonds, and they were right, but the few that emphasized the convertibles were expecting just such a time as this when all who acted would see handsome profits by trading in the standard convertibles.

As everyone who understands their position knows, the fast-running stock market carried these bonds ahead in proportion, so that they are from three to ten points up from the low prices touched about the middle of last year. With the good income that they were yielding at the lower purchase prices and now the added increment through market appreciation,

the buyers are decidedly well pleased and have prospects of getting even greater profits if they hold on a few months longer. Profits from conversion are not yet in sight, as many stocks are quite some distance from the conversion point. Perhaps in a few months they can change their bonds into the respective stocks with a fair prospect of still further increasing the profit through a still further rise in the stock. But that makes them something else than investors "pure and simple." If the stock market keeps on going up and keeps the convertible bond before the eyes of the investor, this class of securities will become one of the livest in the whole security market.

WILL THIS MARKET SURPASS THE LAST GOOD ONE?

With the booming of business the bond men are looking back over the past few years for comparisons. They are prone to make comparisons between conditions at the moment, and at some previous time when bonds were going with as much hurrah. They want to check up the situation then and now to see if there is enough parallel upon which to base conclusions as to the extent of the business that has started with so much promise. Over the past three years the houses have had so many false alarms that they are now taking a very critical look at things. They want to know whether they will be justified in making preparations for several months of big bond business, or whether this quick movement now on in full force is only a flash in the pan.

A few of them during the past three years made poor guesses, thinking they had scented the turn, and consequently loaded up with plenty of bonds for a long campaign, only to find that the demand flattened out in about six weeks or two months, leaving them with shelves pretty well stocked and the job of working the securities off as best they could in a poor market.

The nearest approach to the conditions at the moment was when early in 1909 the market got into a strong stride, continuing until late in that year and lifting the general level of bond prices higher than it had been for several years. There is something of a parallel also now, in that bond prices have only just begun to rise, having a long journey up the hill to the top 1909 level. There are good reasons to believe the bond men will have just as good a year now as then.

In 1908 industry slowed up greatly, a condition which has reappeared during the past few months. Then as now the stock market was at comparatively low levels, but growing stronger daily. Then as now the money situation justified a prolonged bond market. What we have now that was not then is a changed banking system which many believe will work out to the enhancement of the bond business, public indifference to the stock market and stronger corporation supervision restraint all around. The best kind of buying is going on all around, and the pace seems to be faster than was witnessed in 1909. This market looks likely to beat that of 1909. We shall see shortly if it loses its wind.

Recent Bond Offerings

American Agricultural Chemical Co.—$7,000,000 ten year 5% convertible debenture bonds. No additional mortgage can be placed on the property while any of these bonds are outstanding. Net current assets as of June 30 last more than twice the entire funded debt. Net earnings applicable to interest charges for the year ended June 30 last were nearly four times the charges on the entire funded debt, including this issue. Proceeds of these bonds were used to pay off floating debt principally. But they added something to working capital also. Company has paid 6% dividends on its $27,112,700 preferred stock since 1899 and is paying 4% on the $18,330,900 common, which is now selling around 55 and has been as high as 77. The bonds are convertible at any time into the common stock at par. Ahead of these convertibles come $10,046,000 first mortgage bonds, of which no more can be issued. Offered at 97½ to yield about 5.30% by Lee Higginson & Co.

Chicago & Western Indiana Railroad Co.—$4,066,000 Consolidated mortgage 4% bonds. These are part of an authorized issue of $50,000,000, of which $43,832,000 are outstanding. This is a railroad terminal property in and about Chicago, which is leased to some half dozen other railroads, which together own its capital stock. The bonds are secured by a direct lien on all this leased property with small prior liens. All of the proprietary lines agree to pay their proportion of principal and interest on these bonds. Offered at 83¼, yielding about 4.98%, by White, Weld & Co. and Potter, Choate & Prentice.

New York & Westchester Lighting Co.—$4,000,000 general mortgage 4% bonds. While the bonds are a direct mortgage on all the property of the company subject to some prior liens and are a part of $10,000,000 outstanding, the principal feature is that they are assumed by the Consolidated Gas Co., which has large earnings and has paid dividends since 1884 and is now paying 6% on $99,816,000 stock. Interest on these bonds is a charge on the earnings of the Gas Co. prior to these dividends. Bonds offered by J. W. Seligman & Co. and Clark, Dodge & Co. at 79, yielding about 5.10%.

Montana Power Co.—$10,000,000 1st and refunding 5% bonds. Company serves light and power to large section of Montana. Mortgage covers practically all property directly or indirectly. Earnings for 1913 available for interest were more than twice interest charges, including these bonds. There is a sinking fund. Company is paying 7% on $9,700,000 preferred stock and 2% on $27,057,600 common stock. Offered at 94 by Lee Higginson & Co., Guaranty Trust Co.

Our Home Reading Course for Investors

The Science of Investment Simplified and Made Practical

EVER since THE MAGAZINE OF WALL STREET was founded, in 1907, we have received many inquiries from those who wished to take up a systematic course of reading covering the science of investment, both for interest and for profit, and the art of sane and conservative speculation or trading in stocks, so far as that art can be taught.

We were unwilling, however, to offer such a course until we could make it of actual, genuine, practical value to the purchaser; and that we could not do because a large part—and that the most important part—of the necessary information had never been printed nor even prepared in manuscript form.

We naturally tried, however, to meet this demand so far as circumstances permitted, in the character of the articles published in our magazine. In this manner an immense fund of highly valuable information has been accumulated, all of the most practical character and most of it available nowhere else, but in a somewhat detached and miscellaneous form, not well suited to systematic reading by the novice.

We have also during these years come in touch with thousands of practical investors and operators of all kinds, successful and unsuccessful, large and small, scientific and unscientific, and have had the opportunity to observe their methods and to note the causes of their success or failure. In fact, there is hardly any imaginable idea connected with investment or trading in stocks that has not come in for close scrutiny and in most cases we have seen these ideas tried out in actual work.

We have thus gradually come into possession of a great deal of highly valuable and useful material which, for one reason or another, cannot be included in the columns of our magazine.

There is also a large class of subjects which bear indirectly upon the science of investment, but are nevertheless highly important to the reader who wishes to found his knowledge of the subject upon a sound, broad and logical basis. Some of these subjects are pretty well covered in available books; others are not. And even where the books are to be had, the selection, arrangement and direction of the reading, by a trained mind of long practical experience, are essential to good results.

If the reader were to procure the eleven books, eight bound volumes and six separate issues of the magazine (which would cost him, by the way, over half what we charge for the entire course, including these books and all other material), he would find himself confronted with what would seem to him a confused mass of information of which he could make neither head nor tail. He would not know where to begin, and if he started in at haphazard he would soon encounter things he could not understand because of his lack of information which might, or might not, be contained elsewhere in his books, if he knew where to look for it. Without skilled guidance he would accomplish little or nothing and would be inclined to mourn the cost of so many books, which would be valuable in themselves but which he would not know how to use to advantage.

PREPARATION OF THE COURSE.

We have at length found ourselves in a position to prepare such a course of home reading and study as our experience shows us is needed. It is adapted to the requirements of three classes:

(1) Those wishing to learn the investment business with a view to engaging in that line, or obtaining employment with an investment house. For the benefit of this class we give a certificate of proficiency to all who complete the course satisfactorily, showing what the student has accomplished.

(2) Those who wish to invest their savings, whether large or small, to good advantage; that is, safely, at a good rate of interest, and

in securities which are likely to grow in value. This covers also the case of the man who has considerable money to place and wants to learn how to distribute it to the best advantage.

(3) Those who wish to learn the art of speculative investment in an intelligent, conservative, methodical, practical way. As our readers know, we have always opposed haphazard speculation and gambling on slender margins, "tips," and all similar evils. But the judicious and careful buying and selling of stocks or bonds is entirely another matter and may be of benefit to both the individual and the public.

The requirements of these three classes are not so different as might at first be thought. The first three sections of the course, as explained below, are needed by all alike. The fourth section is needed in full by classes (1) and (3). It can be gone over more lightly by class (2), but it cannot be entirely neglected. No such thing is possible as a sharp line of separation between pure investment and speculative investment.

The course consists of 50 lessons, progressively arranged and divided into four sections or "quarters"—the idea being that the average student, devoting two or three evenings a week to his reading, and perhaps with occasional interruptions, will be likely to spend about three months on each "quarter." Some, having more time for the reading, or having already some familiarity with the subject, will be able to complete the whole course easily in three months or even less. The student's right to instruction from us lasts for three years from the date his order is received. The books and bound volumes, of course, belong to him outright.

In addition to the 50 lessons, each of the four sections is followed by a set of review or test questions, the answers to which will be very carefully examined by us to see whether the reader is really "catching on." We shall do our best to persuade every student to read carefully and not to run over the course in a superficial manner.

A brief outline of the course is as follows:

Section 1.—12 lessons.—A general view of the machinery and methods of the investment business.

Brief historical introduction, composition of the financial district, functions and scope of Wall street's machinery, investment and speculation, the making of values and prices, corporations and their securities, organization, rules and methods of the Stock Exchange, clearinghouse, Curb market, brokerage office, credit machinery, money and the bank statement, subtreasury, foreign exchange, unlisted market, panics and corners, methods of analyzing market conditions, humbugs in the financial district, Hughes Commission Report, etc., etc.

Text-book: Pratt's "Work of Wall Street." Selected readings from bound volumes of The Magazine of Wall Street. Test questions.

Section 2.—12 lessons.—The General Basis of Values.—Business and Investment Conditions.

Forecasting business conditions, barometers, major and minor cycles, stock market cycles, the world's capital, gold production, credit, foreign trade, crops, iron and steel, bank reserves, crop-moving money, business failures, real estate, land loans, commodity prices, use of graphics, detailed history of 20-year cycle; Panics: History, causes, indications, preventives and remedies; business and the stock market, etc.

Text-books: Crowell's "How to Forecast Business and Investment Conditions;" Burton's "Crises and Depressions;" selected readings from bound volumes, by James B. Forgan, Chamberlain, Brookmire, Babson, Selden, Fales, etc. Test questions.

Section 3.—13 lessons.—The Science of Investment.—Leading Securities.

Bonds, diversification, risk and security, annual reports, income accounts, balance sheets, book values, principles of investing for profit, selecting growing stocks, standard rails, industrials, mining stocks, when to buy and sell, interpreting the market, idle money, sources of profit, cultivation of judgment, tables of bond values, coupons, notes, sinking funds, transfers, bank accounts, investment methods, studies of individual securities, etc.

Text-books: Lownhaupt's "What an Investor Ought to Know;" Selden's "Investing for Profit;" Rollins' "Money and Investments." Extended readings from bound volumes, by varied authors. Test questions.

Section 4.—13 lessons.—Methods of Profit-Making.—Speculation and Trading.

Principles of price movement, forecasting the trend of the market, buying in panics, scientific speculation, study of swings, stop orders, danger of overtrading, methods, selling short, discretionary accounts, value of news, causes of success and failure, scale buying, study of volumes, psychology of speculation, inverted reasoning, discounting, mental attitudes, tape reading, market technique, use of charts, graphics and diagrams, etc., etc.

Text-books: Nelson's "A B C of Speculation;" Selden's "Psychology of the Stock Market;" Wyckoff's "Studies in Tape Reading;" "Fourteen Methods of Operating in the Stock Market;" "Twenty-five Years in the Stock Market." Readings from bound volumes. Test questions.

The topics mentioned above under each section merely give a rough idea of

the character of the course. They do not, of course, begin to include all the subjects covered. The course is far more comprehensive and more practical than anything else of the kind ever offered.

Our methods of instruction will be aimed at getting the reader to ***think for himself***. It would be absurd to adopt schoolboy methods with the class of men who will take up this course. The questions the student asks us will be far more important to him than those we ask him, and our answers will be thorough, painstaking and conscientious. We give complete instructions at the start as to just how the course should be pursued.

The course has been prepared and the work of instruction will be supervised and directed by G. C. Selden, who has been Associate Editor of THE MAGAZINE OF WALL STREET since 1909. To the readers of the magazine it is unnecessary for us to say that he is thoroughly qualified.*

To the many readers who have taken THE MAGAZINE OF WALL STREET from Vol. 1, No. 1, down to the current issues, the fact that the magazine offers this course, stands behind it and guarantees its value, will be a sufficient recommendation.

Further particulars in regard to the course will be found in the advertising pages of the magazine. Where the prospective student already has some of the necessary text books, we will, of course, make a reasonable allowance on the price of the course.

THIS COURSE "TELLS HOW"

We wish especially to emphasize the point that the Course is something more than a collection of dry definitions, descriptions and historical data. It "tells how" to a far greater extent than anything else of the kind that is obtainable.

Throughout the entire history of THE MAGAZINE OF WALL STREET it has been our constant effort to tell the reader how to get practical results, not merely to give him a lot of miscellaneous information, however interesting or valuable that might be. We have carried the same purpose into the preparation of this Course of Home Reading.

In this Course we first give the student the necessary basis of facts—an understanding of the machinery of the Street and of investment, and the fundamental considerations upon which his reasoning must be based. Then we proceed to show him how to make use of these facts and draw his conclusions in such a way as to achieve actual and tangible results.

In this particular our Reading Course, like our magazine, is unique in the annals of investment literature.

Another and almost equally important point is that the Course is not burdened with troublesome technicalities which would be difficult for the average reader to understand. The whole subject is presented in simplified form. It is not necessary, as with some study courses, to start with a liberal education in order to understand the subject. Sound common sense and a willingness to make use of a reasonable amount of application are all that is needed.

Investment, whether for interest alone or for profit also, is a line of business that can be carried on in your spare time, without interfering with your regular work. It is our belief that it affords the best opportunity for income-building, for achieving a surplus and then making that surplus grow. It does not require any large capital to start with. Even a small amount of money, applied with brains, can be gradually built into a comfortable fortune.

That is why the opportunity to learn the science and practice of investing, by specially directed reading, is worthy of YOUR careful consideration.

*Mr. Selden's experience has been an unusual combination of the scientific and the practical. He was graduated from a well-known university, from a law school, and was for a time Jacob Schiff Fellow of Economics and Finance at Columbia. He has been Secretary of a Railroad Traffic Association, Editorial Statistician in the Census Department at Washington, contributor to various scientific periodicals, in charge of the investment department of a stock exchange house, lecturer at the Finance Forum, etc. He is the author of several financial books.